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1 MACROECONOMIC ANALYSIS

I. SUMMARY

Uganda has achieved strong economic growth and macroeconomic stability in the last decade, owing largely to the implementation of an ambitious program of macroeconomic adjustment and structural reform. Price controls have been removed, the exchange and trade regimes have been liberalized, the capital account has been fully opened, and the performance of the fiscal, external, and monetary sectors substantially improved. As a result of these reforms, a market friendly and liberal environment has been created in Uganda, which has encouraged both local and foreign private sector investments. The reforms and the increased investment have yielded rapid growth, with GDP growing at an average annual rate of 6.8% since 1992/93, and a low annual inflation rate averaging 5.7 percent since 1993/94. Owing to adverse terms of trade movements in the past two years, however, economic growth slowed down in 1999/2000 to 4.7% compared to a target of 7%. Manufacturing was hardest hit with growth dropping from 11.3% in 1998/99 to only 1.2% in 1999/2000.

The strong growth has been accompanied by a reduction in the proportion of Ugandans living in absolute poverty. Despite the reduction in head count poverty, Uganda remains one of the poorest countries in the world. Moreover, the distribution of welfare gains has varied across regions, sectors, and social/economic groups. Figures from a 1999/2000 household expenditure survey conducted by the Uganda Bureau of Statistics (UBoS) indicate that headcount poverty has dropped to 35% in 1999/2000, from 44% in 1997/98 and 56% in 1992/93. However, the survey results also indicate an increase in disparity, with the incidence of poverty increasing in the Northern region and among households headed by women and children.

As noted in the Poverty Eradication Action Plan (PEAP), the government is aware that although economic growth is essential to reducing poverty, it is crucial to put the right policy framework in place to ensure that all citizens, particularly the poorest members of the community, benefit from economic growth. The government is therefore taking advantage of debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative, along with other forms of donor support, to increase public expenditures on growth-oriented and antipoverty programs and accelerate the implementation of the PEAP. High economic growth and poverty eradication, in the context of continued macroeconomic stability underpinned by appropriate fiscal, monetary, and structural policies, continue to be the government's principal economic and social objectives.

Fiscal discipline has been a fundamental element of Uganda's effort to achieve macroeconomic stability. Sizable levels of donor inflows have helped this, but a more sustained fiscal balance will depend on government effort to raise domestic revenue, which is currently low at around 11% of GDP. GoU must improve tax and customs administration, enhance tax compliance and be determined to fight fraud and smuggling.

The fall in inflation, however, has not been matched by the decline in interest rates, owing largely to the tight monetary stance followed by the monetary authorities. Current real interest rates of over 15% per annum are considered to be quite high and are blamed for the relatively low national investment levels. The challenge to the Central Bank is to ensure that commercial bank lending rates come down in line with inflation trends so as to encourage investment and promote broad economic growth.

GoU program of privatization that started in 1993 has continued and has succeeded in reducing the amount of subsidies going to State Owned Enterprises (SOEs). To date 105 of the 136 SOEs intended for privatization sold, and as a result, direct and indirect subsidies come down from 5.1% of GDP in 1994 to 1.8% in 1999. Privatization of the remaining large-scale enterprises is expected to reduce subsidies further and lead to more efficient service delivery especially in the utilities sectors.

Volatility in primary commodity prices on the international market remains a major deterrent to sustained growth in exports in Uganda. Fluctuations in world coffee prices plus other external shocks like import bans on Uganda's exports have complicated macroeconomic management. At around 8% of GDP, exports fall far short of imports at 26% of GDP and this imbalance has often times created pressure on the exchange rate. Uganda's success in building reserves has been so much dependent on donor resources which situation is not necessarily sustainable.

II. GROWTH AND INVESTMENT

During the past decade, Uganda has experienced its longest period of sustained rapid growth since independence in 1962, averaging around 6.8% since around 1992 when macroeconomic stability was fully established. With the population growing at nearly 3 percent, this translates into per capita GDP growth rate of nearly 4%, one of the highest in Sub-Saharan Africa. Growth rates at least that high are necessary if Uganda is to fulfil its objectives of eradicating mass poverty by the year 2017. (*Refer to Table 1, selected macroeconomic indicators, for more economic data).*

The sound economic policies implemented by the GoU have encouraged investment and growth, especially in construction, manufacturing and services, although all sectors in the economy have recorded positive growth since 1992/93. Manufacturing and construction have been the second fastest growing sectors, at an average of 12.5% per year for each of them. Growing at an average of 18.3%, mining and quarrying has been the fastest growing sector since 1992/93 (albeit from a small base), to support an expanding construction sector. Manufacturing growth peaked at 19.7% in 1995/96, but has seen growth rates steadily decline since then to just 1.2% in 1999/2000, after monetary policy had become more restrictive. Poor infrastructure, especially the unreliable power supply, is a major constraint to the growth of the manufacturing sector. This has been further complicated by restrictive monetary policy over the past 18-20 months that has raised interest rates. A 1998 World Bank Survey of the private sector indicated that Ugandan enterprises lost approximately 90 days of production per year due to power failure. The situation has, however, improved, with an additional 80MW of generating capacity coming on line in 2000. The situation is expected to improve even further in the power sector, when an additional 120MW come on stream by the end of this year under the World Bank's Power IV project. Power is expected to be produced on a more sustainable basis when private investors bring two new hydro electricity dams on line over the next decade. This will have a strong positive impact on manufacturing in the major towns, and as the Bank's rural electrification project connects more secondary towns and trading centers to the central grid or local power sources during the next decade, this will enable manufacturing activities to reach out into rural areas.

The performance of Uganda's Agriculture sector has been extremely variable since 1992/93. Because Ugandan agriculture depends on rainfall, poor weather conditions result in low yields and poor performance, at least in some portions of the country and sometimes for the sector as a whole. Prolonged dry conditions were responsible for poor performance of the agricultural sector in 1991/92, 1996/97 and in 1999/2000, while too wet conditions associated with El-nino weather phenomenon negatively affected agriculture production in 1997/98. The overall economy is divided into monetary and non-monetary sub-sectors, with non-monetary (or subsistence) agriculture constituting by far the major portion of the non-monetary sub-sector. Over the past eight years, there has been a gradual transformation of the Ugandan economy with a declining share coming from the non-monetary sector: the share of GDP derived from the non-monetary sector has declined from about 32% in 1992/93 to about 23% in 1999/2000. Monetary agriculture grew at an average rate of 6.1% since 1992/93, while subsistence agriculture grew by only 2.7%, with the monetary sub-sector accounting for an average of 54% of total agriculture production over the period. Growth in monetary agriculture peaked at 9.8% in 1992/93 when excellent weather conditions boosted food crop production; in 1997/98, abnormally heavy El Nino rains caused a 2.8% decline in cash crops leading to poor overall agriculture sector performance.

Agriculture remains the major economic sector in Uganda, but as diversification has taken root, its share of GDP has declined from 51.5% in 1992/93 to about 42% in 1999/2000. Agriculture is being replaced by the manufacturing and services sectors. Manufacturing now accounts for 9.4% of GDP, up from 6.0% in 1992/93. Although agricultural production will remain important to Uganda for the foreseeable future, faster growth in manufacturing, agro-processing and services is needed to create badly needed jobs in the formal sector. ***(See Table 2 for data on growth rates and structural changes)***.

The GoU targets 7% GDP growth in real terms over the medium term as necessary for continued poverty reduction. However, after rebounding in 1998/99, with growth of 7.4% compared to the previous year's 4.5%, growth declined again in 1999/00 to 4.7%. Slower growth in the late 1990s compared to the mid-decade is attributed to the effects of bad weather conditions (too much rain in 1997 and too little in 1999) that badly affected agricultural production and a sharp deterioration in the terms of trade since early 1999 (falling coffee prices and rising petroleum prices on world markets); its also due to a slowdown in policy reform over the past 2-3 years. With good weather in the current fiscal year, and consequent strong agricultural growth, the GoU expects to achieve 5% growth in GDP in spite of worsening terms of trade.

Private capital formation increased from 9% of GDP in 1992/93 to 13% in 1998/99. Foreign direct investment (FDI) grew from US$43 million (1.4% of GDP) in 1992/93 to US$247million (4.3% of GDP) in 1999/2000. From the figures above, it is clear that most of the increase in private investment is contributed by FDI. It therefore seems that the liberal policies followed by GoU have given foreign investors greater confidence in the economy and succeeded in attracting foreign investment to Uganda. Maintaining these or higher levels of FDI, however, will much depend on aggressive implementation of key structural and institutional reforms identified in the Medium Term Competitive Strategy (MTCS) for the private sector.

Recent policy developments

The first of four pillars in the Poverty Eradication Action Plan (PEAP), which is the GoU's long-term development framework, is to provide a favorable enabling environment for private sector investment in order to maintain high levels of growth. The GoU recognizes that while macroeconomic reforms implemented over the past decade have reaped significant gains, new constraints have emerged, especially at the micro/sectoral level, that inhibit the private sector from playing an ever stronger role as the engine for economic growth. In 1999/2000, the GoU finalized the Medium Term Competitive Strategy (MTCS) for the private sector aimed at eliminating major remaining constraints to private sector competitiveness in regional and world markets. Under the MTCS, reform will focus on privatization of the infrastructure sector, a wider and deeper financial system, trade and tax policy, more efficient tax administration, as well as reform of the commercial justice system and other institutional reforms to reduce opportunities and incentives for corruption.

- The GoU proposes reforms in the commercial justice system to strengthen enforcement of contracts and property rights. Actions in this effort will include: re-organization of Land and Company registries; training of commercial lawyers; establishment of commercial courts; and the curbing of corruption emanating from the legal system.

- In the area of infrastructure provision, the GoU is embarking on reforms to allow private sector participation. The private sector is already active in the communications sector, with three operators providing much improved services. Operational licenses have been offered in the power generation sub-sector and the intention is to arrange for private sector involvement in the transmission and distribution sub-sectors by the end of 2001. To achieve this, Uganda Electricity Board (UEB) is to be split into three companies for generation, transmission and distribution by end March 2001, and the companies will then be privatized.

- In the financial sector, emphasis will be put on improving the efficiency of the sector to reduce the cost of finance and increase access, especially for the small and medium scale enterprises. Efficiency is to be achieved through more competition in the financial sector, strengthened bank supervision, reducing the volume of non-performing loans in bank portfolios; and privatization of Uganda Commercial Bank – the biggest bank in the country.

- In the area of trade, GoU recognizes that existing export promotion agencies are inefficient and are sometimes muddled with duplication. This inefficiency is partly due to budgetary constraints and partly due to lack of a clear export strategy and limited export marketing tools. GoU is committed to improving the efficiency of these agencies through cost effectiveness and enhanced sustainability. In addition, GoU is to review the tax structure (especially on fuel and raw materials) – Customs duties and VAT – with the view to harmonize it with that of neighboring countries in order to eliminate the anti-export bias and improve the competitiveness of Ugandan manufactured goods. Tax administration at the Ugandan ports has been identified as a major constraint to trade. Government believes that putting in place supportive physical infrastructure will be key to improving tax administration by Customs. But traders think that dealing with corruption by Uganda Revenue Authority (URA) is even more important at this stage. Tax administration will be discussed fully in the discussion below on tax policy.

The infrastructure and institutional reforms outlined above must be implemented quickly if the GoU's broad macroeconomic agenda – read liberalization – is to avoid private sector resistance and remain on course. Faced with stiff competition from international suppliers, many domestic producers are asking for a review of the liberal policies with a view to slowing the reform process. One can say that they have already had some success, in that the past two Budget Speeches of 1999 and 2000 have provided domestic producers with tax and tariff advantages instead of further liberalization. One example is the slow move toward a zero tariff in the COMESA and EAC regions. Ugandan firms site high production costs in the country and agitate that they would close shop with the implementation of the zero tariff.

While the MTCS will address general constraints affecting the private sector as a whole, the GoU decided to formulate a separate and detailed strategy – the Program for Modernizing Agriculture (PMA). The PMA was approved by cabinet and formally launched in November 2000. With around 80% of the labor force engaged in the agriculture sector, its modernization is seen as the key to mass poverty eradication. Under the PMA, the GoU will encourage and support farmers in adopting modern farming practices, with emphasis on specialization and production for targeted markets. Priority areas for action include: research and technology development; agricultural advisory services; improved access to rural finance; better physical infrastructure; and sustainable natural resource utilization and management.

A major shortfall for both the MTCS and the PMA is the lack of clear "plans of action" and a budget to implement it. It is imperative that GoU put in place a plane of action for each of these strategies, otherwise they will end up like many other strategies that have not been implemented. USAID and other donors need to work with GoU to push these strategies forward.

In 1993 the GoU embarked on a privatization program that was expected to improve the efficiency of formerly State Owned Enterprises (SOEs) and reduce the fiscal burden imposed by these enterprises. In 1994, direct and indirect subsidies to SOEs amounted to UShs 208 billion[1] (5.1% of GDP) and more than half of the entire recurrent budget, but as a result of the privatization program these have steadily fallen since. In 1999 alone, the level of subsidies fell by almost 30% to UShs144 billion, or 1.8% of GDP.

To date, 105 out of the 136 SOEs intended for privatization have been privatized using methods ranging from asset sales, increasingly including open bids for the larger ones; liquidations; share sales; concessions; and public flotations. In 1998, in response to parliamentary concerns about the transparency of the process,[2] the divestiture procedures were streamlined and documented in a comprehensive Procedures Manual. All divestitures are now carried out in accordance with these procedures, which are recognized under the amended law. During the same year, the GoU shifted away from a policy of providing direct subsidies to public enterprises, to one of providing indirect subsidies (subsidies that do not explicitly appear in the Budget). Indirect subsidies take the form of equity support, financing terms (e.g. subsidized or guaranteed loans), and advantageous fiscal terms (e.g. tax breaks). The current policy is to focus subsidies on specific enterprises (such as the major utilities), so as to prepare them for privatization, but over time to reduce the impact of SOE subsidies on the budget.

Government Subsidies to Public Enterprises (UShs billion)

Subsidies	1993	1994	1995	1996	1997	1998	1999
Direct Subsidies	15.2	19.4	56.3	52.4	100.3	9.2	11.3
Indirect Subsidies	149.4	189.1	152.4	154.3	109.8	205.7	132.2
Total Subsidies	164.6	208.5	208.7	206.7	210.1	214.9	143.5
Total Subsidies/GDP (%)	4.5	5.1	4.2	3.7	3.5	3.0	1.8

Source: Parastatal Monitoring Unit, Ministry of Finance, Planning and Economic Development.

The successful privatization in 2000 of Uganda Telecom Limited (UTL) – considered to be one of the major publicly owned companies – boosted the credibility of the privatization process. The GoU also successfully sold its shares held in British American Tobacco Ltd (BAT) through public floatation, giving the Stock Exchange another boost. Further success was obtained in early 2001 when Sheraton Hotel was sold, after an initial failed attempt in 1998. The GoU is now set to privatize, through a variety of modalities, the remaining big enterprises. These include Uganda Electricity Board, Uganda Commercial Bank, Kinyara Sugar Corporation, Uganda Railways and National Water and Sewage Corporation.

III. MONETARY ISSUES, INFLATION AND EXCHANGE RATES

The key objective of monetary policy in Uganda during the 1990s has been to maintain low and stable inflation and to smooth out movements in the exchange rate. The GoU recognizes that low inflation will contribute to economic growth and hence poverty reduction by encouraging long-term domestic investment and attracting foreign direct investment. In addition, low inflation preserves the real incomes of the population and helps maintain living standards.

In order to conduct monetary policy that is consistent with growth, the Bank of Uganda (BoU) adopted a reserve money program in 1994. This takes into account a broad range of economic and financial information to decide on an appropriate level of growth in money supply. Inflation in Uganda declined from 66% per annum for the year ending June 1992 to 6% for 1999/00, and was still running at that rate as of February 2001. This is specifically attributed to BoU's ability to curtail the growth in money supply. Growth in broad money, M2 has consistently declined from 53% per annum in June 1992 to a low of 8.6% in June 2000. ***(See Table 3: Monetary Survey and related indicators***). Constraining monetary growth implies a tight monetary policy, designed also to restrain depreciation of the Uganda shilling. As a general rule, the slow down in money growth has been facilitated by strong fiscal discipline. Increased donor assistance eliminated bank financing of the government deficit and led to adequate provision of credit to a growing private sector. This was the case until last financial year when donor flows were delayed, as a consequence of intensified combat in the DRC by the Ugandan military, and when the financial system was still recovering from the closing of four domestic banks in 1998-99 and the failed privatization of the largest commercial bank – UCB.

Interest rates in Uganda have generally come down since 1992/93, but the fall in the rates does not mirror the sharp decline in inflation seen over the same period. Part of the explanation lies in the tight monetary policy followed during this period, but this also reflects intermediation inefficiency in the financial system. While the average savings deposit rate dropped from 15% at end-June 1993 to 2.7% at end-June 1995, commercial lending rates only fell from 27% to 19.5% over the same period. Since 1994/95, lending rates have stagnated at around 21% while deposit rates have remained below 4%. The proposed reforms in the financial sector are expected to address this problem.

The interest rate of the 91-day TB, which reflects more closely the liquidity conditions in Uganda, dropped significantly between 1992 and 1998, suggesting an easing in monetary policy. The rate that stood at 39% at end-June 1992, came down to 6.9% by end-June 1998. During this period credit to the private sector grew at an average annual rate of 27%, leading to investment and further growth. However, in order to stem accelerating depreciation of the shilling, starting in early 1999, the BoU has increasingly tightened monetary policy. This has sent interest rates skyrocketing. The 91-day TB rates rose from 5.3% in August 1999, to 16.4% in January 2001. Consequently, growth in credit to the private sector slowed from 32.3% per year for year ended June 1999 to only 5.9% for the year ended June 2000. Granted that 32% growth in credit to the private sector is unsustainable, but 6% is clearly too slow if sustained for several more years.

The BoU's official policy on exchange rate management in Uganda is to allow the market to determine the value of the shilling, with BoU intervention in the foreign exchange market aimed at smoothing out movements in the rate. In most cases, therefore, exchange rate movements reflect changes in the terms of trade. In 1994/95 for instance, a 15% appreciation resulted from a sharp increase in international coffee prices. On the other hand, the shilling depreciated sharply over the past two years as a result of steep declines in coffee prices and a near tripling of world petroleum prices. The trend in Uganda's exchange rate is a general depreciation, quite an expected phenomenon given the huge imbalance in trade – with imports of goods and non-factor services three times exports. The gradual depreciation has led economic agents to shift their portfolio towards dollar denominated assets to preserve the value of their assets. This is reflected in a doubling of the share of foreign currency deposits in M3 from 11% in June 1997, to 23% as of end December 2000. Nevertheless, it can be argued that monetary policy has been too stringent in holding back shilling depreciation, both from the shorter-term perspective of the recent terms of trade shock and the longer-term perspective of ensuring international competitiveness of Uganda's exports. Exchange rate policy is the one remaining area of macroeconomic policy that may need adjustment.

Recent policy developments

The main challenge facing the monetary authorities over the past two years has been the management of the liquidity impacts of recent bank closures and restructuring. Other challenges include managing the excess liquidity of commercial banks and reacting to flows emanating from the functioning of a fully liberalized capital account.

Since 1992, the BoU has used the Treasury Bill as the major monetary instrument to control liquidity in the economy, and has been quite successful given the lack of financial depth. Recent experience, however, suggests that the weekly Treasury Bill auction is no longer adequate to respond to the more complex monetary policy requirements of a liberalized financial system. In order to respond more quickly to prevailing money market conditions, in September 2000 the BoU introduced the use of repurchase agreements with commercial banks and this seems to be working well.

The 2000/01 Budget also announced the introduction of long-term government bonds to provide additional instruments for savings mobilization. These instruments were to be auctioned by BoU in the same manner as Treasury Bills, and would be traded in the secondary market through the Uganda Securities Exchange. There has been a delay in the introduction of the bonds as GoU puts in place the law to govern government bonds. These proposed measures, in conjunction with the recently introduced electronic central depository system, will facilitate the development of inter-bank money and securities markets, and provide the BoU with greater flexibility in managing bank liquidity. The government's policy remains to allow interest rates to be determined through market forces, while using the monetary policy instruments at its control to manage overall liquidity.

Effective liquidity management using open market operations depends very much on the level of capital market development in the country. Capital markets are also very important in the mobilization of investment capital. The Capital market in Uganda is still in its infancy although the Uganda Securities Exchange (USE) is operational. With only one bond and two equities listed, the USE remains shallow and unattractive to the foreign investors. Many Ugandan firms are generally small and uncompetitive, and many of them are believed to have huge tax arrears that make them unwilling to fully disclose information as required by the Capital Markets Authority. Whether a waiver of these tax arrears by GoU can encourage the listing of more companies on the USE is still a matter of debate.

A more viable option for the development of Capital Markets in Uganda is to facilitate and encourage cross listing of shares on a regional stock exchange. The more developed Kenya Stock Exchange will then act as a gateway to East Africa by foreign investors, but regional investors can also take advantage of this. Creating a framework to enable this cross listing should be a major focus of the three East African States' Capital Markets Authorities. Given that the EAC is also in place, this kind of cooperation should be easy to achieve. The step taken by the GoU to divest some of its shares in State Owned Enterprises through the USE is welcome and should be continued. This with the proposed GoU long-term bonds will provide investment opportunities to intending investor and help develop the capital market in Uganda. The proposed Technical Assistance on GoU securities development from the US Treasury should go a long way to facilitate capital market development in the Uganda and the region.

IV. FISCAL PERFORMANCE

Fiscal discipline has been the fundamental element in Uganda's successful effort to achieve and sustain macroeconomic stability since 1992. Fiscal discipline is defined as keeping expenditures within available resources, where the latter consists of GoU own revenue plus donor grants. Looked at more broadly, the objectives of GoU fiscal policy have been to:

- Maintain macroeconomic stability;
- Channel resources toward poverty reducing sectors like education, health, and roads; and
- Reduce Uganda's dependence on external resources by raising the revenue base in an orderly manner.

Total expenditure and net lending of the GoU have oscillated between 17% and 21% of GDP since FY1992/93[3]. Revenues and grants have been able to cover about 17% of GDP on average. External grants have remained stable at around 5.5% of GDP since 1994/95, after falling from 8.7% in 1992/93. Grants shoot up to 6.6% of GDP in 1999/2000 as donors increased their contribution to the poverty reducing expenditures under the Poverty Action Fund (PAF). Grants are expected to reach 9.8% of GDP in 2000/2001. The fiscal deficit (including grants) fell from 4.3% of GDP in 1993/94 to 0.5% of GDP in 1997/98. This was accomplished through a reduction in expenditures and net lending as a share of GDP, while at the same time increasing the revenue effort from about 8% of GDP to 11.3% during that period. Government spending and net lending fell by two percentage points during this period. In 1998/99, the fiscal deficit began to climb again and stood at 3% of GDP in 1999/00 (excluding BoU recapitalization). This occurred because revenue collections stagnated between 11-12%, compared to rapid increases in expenditure and net lending to finance poverty reducing programs. In any case, the fiscal deficit had been programmed to increase because of the anticipated increase in expenditures towards poverty reduction and in agreement with multilateral donors on the use of the HIPC funds.

Some analysts have argued that as long as Uganda continues to enjoy relatively easy access to donor finance, it can afford the luxury of a bigger fiscal deficit since it has put in place a rolling, three-year Medium Term Expenditure Framework (MTEF) that ensures macroeconomic stability. The problem is that larger deficits come at the expense of lower credit available to the private sector and BoU intervention in the foreign exchange market to restrain depreciation of the shilling, if inflation is to remain under control. (***Refer to Table 4: Central Government Budgetary Operations)***

A: Revenue

The GoU recognizes that revenue enhancement is a key element of fiscal sustainability. In 1991, an independent and well-facilitated revenue collecting agency – the Uganda Revenue Authority (URA) - was created to replace a less efficient Department within the Ministry of Finance. This was aimed at boosting the revenue collection efforts of GoU. Since then, additional measures have been implemented. These include:

- The introduction of a uniform Value Added Tax (VAT) in 1996;
- Simplified and reduced import tariff rates; and
- The 1997 Income Tax Law.

These reforms resulted in an increase in the revenue to GDP ratio from 7.1% in 1991/92 to 12.2% in 1996/97, before falling below 12% since then. Indeed, 1999/00 witnessed a revenue shortfall of some $80 million below targeted levels, with revenue accounting for 11.7% of GDP. The ratio of revenue to GDP increased by about 1.1 percentage points per year, on average, from 1991/92 to 1996/97, but since then, revenue has stagnated in the 11 to 12 percent range and is a major cause for concern to the GoU authorities as well as to the donors. President Museveni himself acknowledged this fundamental problem at last year's Consultative Group Meeting in Kampala and committed himself to Uganda's tax effort. However, further decline in the revenue-to-GDP ratio is projected for this fiscal year. At 11.7% of GDP in 1999/2000, the revenue effort in Uganda remains well below its neighbors and below most other countries in Sub-Saharan Africa. A narrow tax base (high dependence on tax revenue linked to imports and a limited number of formal sector corporations) is largely responsible for this. However, lack of adequate capacity to collect taxes efficiently and effectively on the part of the URA, combined with apparently significant levels of corruption throughout the system, account for a big part of this problem.

The GoU does not foresee any major change in tax rates in the immediate and medium terms. Therefore any increase in the revenue-to-GDP ratio, currently targeted at 0.5 percentage points of GDP per year, starting next fiscal year, is expected to come from improvement in tax and customs administration, enhanced tax compliance, and a committed effort to combat fraud and smuggling. The URA is introducing modern information technology that will integrate the different computer systems used by its departments, continue its customs modernization efforts, extend direct banking procedures to domestic excise and withholding taxes, intensify training programs, and establish a performance monitoring system in all departments. A new proposal intended to boost revenue collection is the introduction of three-year management contracts for URA management. These contracts would be renewed only on fulfillment of certain revenue collection targets. In the mean time, the GoU is considering the introduction of a policy that would allow the URA to retain any collections beyond set revenue targets, to be used for infrastructure improvement and general recurrent expenditure of URA.

B: Expenditures

In 1999/2000, recurrent expenditures accounted for 52% of total expenditure and net lending[4] , with salaries and wages amounting to 20% and non-wage recurrent expenditures amounting to 32% of the total. Development expenditures comprised the remaining 48% of total expenditures and net lending. This represents a marked reversal of the structure of expenditures in 1992/93. Recurrent expenditures in 1992/93 stood at 45% of total expenditures, with salaries and wages taking only 8.6%. This reversal is explained, in part, by the government's desire to improve the effectiveness of the civil service through gradual improvements in remuneration. It also reflects the GoU commitment to protect some expenditure categories identified in the PEAP from budget cuts.

Since the mid-1990s the GoU has taken major steps to plan and monitor fiscal expenditures more carefully, and to make budget decisions more transparent to the public, the Parliament and the donors. Since 1992, the GoU has been implementing a program to decentralize political and fiscal decision-making to district governments. The June 1996 Budget Speech introduced a three-year rolling Medium Term Expenditure Framework (MTEF) designed to make budget planning more coherent and transparent. The MTEF has been successful in doing this. In 1997 the GoU announced a Poverty Eradication Action Plan (PEAP) that identified priority program areas (PPAs) in the non-wage recurrent budget that would receive increased and guaranteed annual funding levels. The PPAs included health, education, rural feeder roads, water and sanitation, agriculture, and some others. The 1998 Budget Speech announced creation of the Poverty Action Fund (PAF), to serve as a transparent mechanism to program debt relief resources accruing to Uganda under the Heavily Indebted Poor Countries (HIPC) initiative for priority poverty reduction programs, including some resources through the development budget. Over the past 2-3 years the PAF has been fully integrated into the MTEF. Further measures included the introduction, in April 1999, of a pilot Commitment Control System (CCS), designed to reduce the build-up of payments arrears on the part of four ministries. The CCS was then implemented for the recurrent budget in 1999/00, and extended to the development budget this Fiscal Year. Implementation of the CCS managed at slow the accumulation of arrears for recurrent expenditures from Shs 105.5 billion in 1998/99, to only Shs 16 billion in 1999/2000. Accumulation of arrears was limited to only the ministries of Defense, Justice and State House. The CCS became fully operational across all ministries and local governments in July 2000 and managed to keep expenditures within budgeted amounts during the first nine months of FY2000/01. In the FY2000/01 Budget, expenditures under the PAF replaced PPAs as the IMF condition on maintaining a minimum level of expenditure on poverty reducing activities.

Over time and with continued donor assistance, these reforms have the potential to create a much more responsive, accountable and transparent budget process. However, local governments' capacity for planning, budgeting, administering, implementing and monitoring are very weak. In concert with donors, the GoU is developing programs to enhance local government capacities in these areas. In addition, PEAP projects financed through the Poverty Action Fund are subject to quarterly reviews by the government, donors, and NGOs. The PAF also provides resources to strengthen mechanisms of accountability for PAF funds. Once refined, these mechanisms will be extended to the rest of the Budget.

C: Social Sector Expenditures

Directly improving the quality of life of the poor is another of the four pillars under the PEAP, and therefore a major objective of the GoU. Government has decided to use savings obtained from the HIPC initiative to spend more on social sectors – basically education, health, and water and sanitation – in addition to investments in rural roads, agricultural extension and micro-finance that help to directly increase the incomes of poor Ugandans. Expenditures on education and health combined have grown from 3.3% of GDP in 1994/95 to 4.4% in 1999/00. Education received over three-fourths of this total, with education sector expenditures amounting to 3.4% of GDP in 1999/00. The GoU plans to raise expenditures on education and health to about 5% of GDP by 2002/03, with that entire increase programmed for the health sector. (***Refer to Chart 1).***

C.1 The Education Sector

As a result of the Government's intensified focus on primary education, the education sector has claimed an increasing share of the GoU budget ***(See Table 5: Expenditure by category).*** Education sector expenditures have grown from about 20% of total GoU expenditures (including non-discretionary expenditures such as interest payments) in 1994/95 to 27% in 1998/99, before falling slightly to 26% in 1999/2000. With the introduction of universal primary education (UPE) in January 1997, primary education has absorbed most of this growth. Expenditures on primary education have more than doubled from 6% of total GoU expenditures in 1994/95 to 13.8% in 1999/2000 ***(See Charts 2 and 3***). At the secondary level, expenditures grew from 2.2% of the total in 1994/95 to 3.7% in 1997/98, but fell to 3.1% by 1999/2000. In 1999/2000, the wage bill for the education sector amounted to 39% of the total GoU wage bill, a drop from 47% in the previous year due to reduced GoU financing of tertiary institutions. Primary teachers accounted for two-thirds of the education sector wage bill and 26% of the total GoU wage bill. The domestically financed portion of the education sector development budget also has been increasing, with major expenditures going to school construction to accommodate the doubling of primary school enrollment since 1997 under UPE. The education development budget jumped from 7.6% of GoU development budget in 1997/98 to 28% in 1999/2000.

The GoU does not foresee significant further increases in the share of budgetary allocations going to education in the medium term. The Medium Term Expenditure Framework (2000/01-2002/2003) demonstrates the GoU plan to maintain education sector expenditures at around 18.5% of total expenditure, about the same share as in 1999/2000. Within the education sector, the MTEF prioritizes primary education, which will marginally increase its share of education expenditures to cover the salary cost of some 15,000 additional primary teachers to be brought on board.

Overall expenditure on primary education is programmed to reach 11.3% of total expenditure in 2002/03, up from 9.6% in 1999/2000. Although nominal expenditure levels on secondary and tertiary education are expected to increase over the medium term, they are programmed to decline to 1.8% and 1.7% of total expenditure, respectively, from the current level of 2.1% for each. The biggest challenge facing the GoU education budget for 2004 is how to deal with primary school graduates whose numbers will jump to 865,000[5] in December 2003 as the first UPE class completes P7 compared to 342,000 last December.

C.2 The Health Sector

The health sector is among the GoU's priority sectors under the PEAP and the PAF. The reason for this is that a number of Uganda health status indicators remain among the lowest in Africa; hence, more investments are required in the sector. The infant mortality rate for Uganda stood at 101 per 1000 live births in 1998, compared to the average of 92 for Sub-Saharan Africa, and 68 for low income countries as a whole. Life expectancy figures for the same period are 42 years for Uganda compared to 50 years for Sub-Saharan Africa and 63 years for low-income countries.[6] GoU expenditures on health have, however, been declining since 1995/96, reflecting in part the effect of the government policy of cost sharing. The GoU policy of imposing user charges for health services was just dropped in the heat of the presidential election campaign. This will require larger GoU expenditures to achieve planned service levels. At 0.9% of GDP, Uganda's expenditure on health remains well below the average for Sub-Saharan Africa, estimated at 3.4% of GDP. Total expenditure on health accounted for 4.4% of total expenditures in 1999/2000, down from 5.2% in 1994/95.

GoU plans to step up health expenditures under the framework of the PEAP. Health expenditure is planned to increase to 1.5% of GDP and 9.74 % of total domestic expenditures in 2002/03 ***(Refer to charts 4 and 5)***. Most of this increase is to go to Primary Health Care under the District Services expenditure category. Expenditure on hospitals will stagnate at around 2% of domestic expenditures.

C.3 Grants to Districts

In 1992 GoU embarked on the implementation of an ambitious plan of decentralization. Under this plan, government would gradually transfer responsibility for the delivery of public services to the district and sub-district levels of local government. Districts would be charged with planning and preparation of budgets to which the government would contribute through conditional grants tied to specific activities and unconditional grants to be used by district authorities on activities of their choice. The importance of these grants to districts has increased significantly: as a share of GDP, grants to districts have grown from about 1.2% (about 10% of GoU domestic expenditure) in 1994/95 to around 3.8% (about 27% of GoU domestic expenditure) in 1999/2000 ***(Refer to Charts 6 and 7***). A major constraint to service delivery at the district level is the inadequate capacity to plan and implement programs and account for the use of financial resources. Building capacity in the districts will be a major focus of the GoU and the donor community in the coming years.

V. THE BALANCE OF PAYMENTS

The current account deficit including grants declined from 6.7% of GDP in 1992/93 to 3.9% in 1996/97. Export growth and diversification have been at the center of GoU external sector policies over the past decade and a great deal of success was achieved early on. Worsening international terms of trade since 1997/98, however, have reversed this trend. The current account deficit to GDP ratio (including official grants) jumped from 3.7% in 1993/94 to an unsustainable 9.2% in 1999/2000; excluding grants, the deficit moved from 10.2% to 14.7% of GDP! Improvements in the current account balance between 1992/93 and 1996/97 reflect the effects of the boom in international coffee prices during 1994/95 as well as growth in non-traditional exports. ***(Refer to Table 6: Balance of Payments)***

Foreign exchange earnings from exports of goods and non-factor services amounted to US$624 million (10.9 % of GDP) in 1999/2000. Although this level is higher than it was in 1992/93 at US$253.5 million (8.5% of GDP), it represents a significant drop from a peak of US$837 million (14.7% of GDP) attained in 1996/97. The solid export growth between 1992/93 and 1996/97 came from four major sources:

- an increase in the volume of coffee exports;
- an increase in the world price of coffee;
- growth of non-traditional export items like flowers and fish; and
- an increase in international travelers to Uganda.

Growth in export earnings has not been sustained because of the volatility in primary commodity prices, a downturn in tourist revenues in the wake of the massacre of tourist in Bwindi Impenetrable Forest, and the effects of the coffee wilt disease on production levels. The average realized price of Ugandan coffee fell from US$1.38 in 1996/97 to a low of US$0.64 per kg in February 2001. Coffee wilt has attacked many growing areas; combined with a drought, this has substantially reduced coffee exportable volumes from 4.4 million bags in 1996/97 to about 3 million bags in 1999/2000, with projections for 2000/01 slightly below 3 million bags. The growth in non-traditional exports has stagnated recently, largely due to the EU ban on fish imports from Uganda and shocks to the tourism industry.

While exports have declined, imports have been growing to meet investment needs and increased consumption due to higher incomes. Imports of goods and non-factor services have grown from 24.5% of GDP in 1992/93 to an estimated 34.7% in 1999/2000 – and now stand at three times the value of exports of goods and non-factor services. Falling export earnings amid rapidly increasing imports presents a clearly unsustainable situation that calls for urgent corrective measures. It reflects the high level of dependence on external financing to meet the country's external requirements. The widening imbalance also explains the significant (33.6%) depreciation of the Uganda shilling over the past two years (January 1999-January 2001). Shilling depreciation would have been steeper had in not been for BoU intervention to limit the inflationary impact of even steeper depreciation.

Foreign exchange remittances by Ugandans living abroad and the operations of private voluntary (charitable) organizations significantly supplement export earnings. Together they generated a comparable amount of foreign exchange as was earned from the export of goods and non-factor services in 1999/2000. These private transfers amounted to US$535 million in 1999/00, exceeding the US$500 million mark for the second time in the past eight years.

Increasing the international reserves of Bank of Uganda has been a key objective of external sector policy. The GoU realizes that a comfortable level of external reserves boosts the confidence of international investors in the economy and encourages investment. Gross international reserves of BoU grew steadily from US$112 million (1.8 months of goods and non-factor services imports) at June 1993 to US$750.5million (4.8 months of such imports) in 1997/98. Reserves fell to US$719.4 million at end 1999/2000 when donor flows were delayed due to concerns over Uganda's intensified involvement in the DRC. As of early 2001, international reserves stand at US$758 million, just under 4.6 months of imports of goods and non-factor services. The IMF target for international reserves is 5 months of such imports. Efforts by the Bank of Uganda to contain the pressure on the shilling, in the face of falling terms of trade, were also a factor.

Uganda's external debt position has improved significantly over the past decade. The debt service ratio has declined from 71% of exports of goods and non-factor services in 1992/93 to 29% in 1999/2000. The ratio had fallen below 20% in 1996/97 but has deteriorated since because of worsening terms of trade, resulting in reduced export earnings. Uganda's achievements in this area during the 1990s stem, to a large extent, from the implementation of a debt strategy that emphasizes borrowing only on concessional terms and aims at putting a stop to the accumulation of external arrears.

In recognition of good economic performance and commitment to reform programs, Uganda became the first country (April 1998) to be granted debt relief under the IMF/World Bank Heavily Indebted Poor Countries (HIPC) Initiative. Uganda was also the first country (May 2000) to get additional relief under Enhance HIPC. Debt relief to Uganda under the original HIPC amounted to US$340 million in net present value terms (equivalent to US$650million in nominal terms), while under Enhanced HIPC the amount was US$660 million in NPV terms (equivalent to US$1.3 billion in nominal terms). Total debt relief under HIPC is therefore expected to reduce the nominal value of outstanding external debt by about US$2 billion, or over half of Uganda's outstanding external debt. This has translated into a significant reduction in the debt service burden. Under the initial HIPC, Uganda received US$44.6 million in debt service relief in 1998/99 and US$42 million in 1999/2000. The amount of debt service relief is projected to double this year to US$86 million with the implementation of Enhanced HIPC. This implies approximately a two-thirds reduction in the near-term debt service burden due to HIPC debt relief.

Resources saved by GoU under the HIPC initiative will be channeled to the Poverty Action Fund (PAF), and allocated to key anti-poverty programs, spelled out in the Poverty Eradication Action Plan (PEAP). The PAF has provided a transparent link between donor support, including debt-relief, and the government's poverty reduction program. When combined with GoU own revenues and other donor grants that are also channeled through the PAF, GoU expenditures on PAF poverty reducing programs have increased from 11.6% of total expenditures in 1997/98, prior to the introduction of PAF, to 16.9% in 1999/00, and the MTEF projects them to increase to 24.5% by 2002/03.

VI. DEVELOPMENT INDICATORS

This section looks at a variety of development indicators for Uganda and compares Uganda's performance with that of averages for low income countries in general (as defined by the World Bank) and for countries in Sub-Saharan Africa. Although Uganda has achieved sustained rapid growth over the past decade, indicators show that it remains below most Sub-Saharan African countries in terms of economic and social well being. Uganda's GDP per capita grew at around 3.8% per year between 1992 and 2000, faster than many countries in the world. But at this rate of growth, it will take at least 13 years for Uganda's per capita income to grow from US$310 to reach the current Sub-Saharan average of US$510,[7] which will, by then, also have increased. To eradicate poverty by 2017, therefore, Uganda requires a faster rate of GDP growth and a substantial reduction in the population growth rate. As a complement to USAID/Uganda's efforts at increasing the rate of private sector growth in Uganda, our programs in health should continue to focus on population activities to help attain this goal.

Uganda's low level of development is exhibited not only by low GDP per capita, but also by many other social indicators, such as life expectancy, infant and child mortality rates, and school enrollment rates. Life expectancy at birth stood at 42 years in Uganda in 1998, compared to an average of 50 years for Sub-Saharan Africa and 63 year for low income countries taken together. Uganda's low and falling life expectancy figure reflects the effect of the HIV/AIDS epidemic, whereas high infant and child mortality and low immunization rates reflect the GoU's limited expenditure on health services. GoU expenditure on health stood at US$14 per person per year between 1990 and 1998, compared to an average of US$33 for Sub-Saharan Africa. In 1998, child mortality (under five years) in Uganda stood at 170 per 1000 live births, one of the highest in the world. The averages for all low-income countries and for Sub-Saharan Africa were

92 and 151 per 1000 live births, respectively. ***(see Table 8: Development Indicators***).

With the introduction of Universal Primary Education (UPE) in 1998, primary school enrollment rates have improved tremendously. Gross enrollment in primary schools went up from 71% in 1996 to 131% in 1999[8]. But because of a high drop out rate from P7 to S1, secondary education enrollment lags far behind primary enrollment. Secondary enrollment stood at just 12% in 1997, less than half of the average for Sub-Saharan Africa (27%). Children cannot continue into secondary schools because parents find it expensive and unaffordable to pay school fees at the secondary level. . In some cases, although becoming less significant, parents consider girls to be old enough to marry after primary schools, an attitude that limits girls' chances of joining secondary schools. Early pregnancy is another major factor hindering girls' secondary education, accounting for about 10% of girl dropout[9].

The high dependence on traditional fuel for energy resources is another indicator of poverty in Uganda. About 91% of energy requirements in the country are met through the use of traditional fuel (wood and charcoal). This compares unfavorably with 73%, the average for Sub-Saharan Africa, and 20% for low-income countries worldwide. High dependence on traditional fuel has a counter development effect through the depletion of the forest cover, an important form of environmental degradation. Uganda must address this problem by developing affordable and sustainable energy sources, and extending them into the rural areas.

VI. VULNERABILITY TO EXTERNAL SHOCKS AND DONOR DEPENDENCE

Declining international coffee prices and rising oil prices are the two major external shocks that Uganda has experienced over the past two years. The average price for Ugandan coffee fell from US$1.44 per kg in January 1999 to US$0.64 per kg in February 2001. On the other hand international oil prices tripled, to a peak of US$34 per barrel of crude oil, over the same period, leading to a13% deterioration in the terms of trade during 1999/00. This happened when Uganda was yet to recover from the effects of during 1998/99, including a ban on fish imports from Uganda by the EU and a loss of tourism revenues following the terrorist attack in the Bwindi National Park, combined with an 8% worsening of the terms of trade. Despite these shocks, there was only a modest impact on the macro economy, as the monetary and fiscal authorities reacted quickly in the face of these shocks. The exchange rate, depreciating by 33.7% over the past two years, served as a major shock absorber. Economic growth slowed to 5.1% in 1999/00, from 7.4% the previous year, but inflation was contained at around 6% for 1999/00 and the first half of 2000/01.

The GoU intends to reduce its dependence on external donors through efforts to increase revenue and to cut back on expenditures. This effort showed success in the early- and mid-1990s when the fiscal deficit (excluding grants) declined steadily from 11.8% of GDP in 1992/93 to 6.1% in 1997/98, as revenue increased and government cut expenditure. Own revenue, which covered only 90% of recurrent expenditure in 1992/93, had grown to cover 110% of recurrent expenditure by 1997/98. The importance of budgetary grants declined from 8.7% of GDP in 1992/93 to 5.1% in 1998/99, and while still high, external financing of the development budget fell from 91% to 76% during the same period.

However, the declining trend in donor dependence was reversed in 1999/2000. As a result of the cost associated with the compensation of closed banks (about UShs91 billion), together with a major revenue shortfall during the year (UShs120 billion), the fiscal deficit (excluding grants) jumped to 14.1% of GDP from about 6.4% in the previous year (1998/99). External grants went up by 1.5 percentage points, offsetting part of the increase. The rest of the deficit, 6% of GDP was financed by domestic borrowing, which led the BoU to tighten monetary policy and raise interest rates. External financing of Uganda's budget is programmed, under the MTEF, to be 53% in 2000/2001, five percentage points higher than last year. And the deficit (excluding grants) is programmed to increase further, to 10.9% of GDP. ***(Refer to Table 7: Donor Dependence)***

Increasing donor flows in the face of stagnant revenue collection presents Uganda with the situation of increasing donor dependency. Revenue collections must be significantly increased, by at least 4-5 percentage points of GDP, yet no action has been taken since the April 2000 Consultative Group meeting when President Museveni took personal responsibility for addressing the problem. Part of the reason, of course, is that it is difficult to raise tax revenue during the period leading up to elections, and the Presidential elections took place on March 12, 2001. Nevertheless, this is a glaring failure of the GoU's macroeconomic program.

VII. IMPLICATIONS FOR USAID/UGANDA PROGRAMS

The above analysis has major implications for the USAID-Uganda program and should be considered in the preparation of the ISP for the coming six years.

- Maintaining fiscal discipline and overall macroeconomic stability will, to a large extent, depend on Uganda's ability to increase its revenue effort beyond the current level of around 11.5% of GDP. In this area, USAID-Uganda should work in close coordination with DfID and the EU to assist the GoU to improve tax policy and tax administration, and to design ways of broadening the tax base.
- Given the high commercial bank lending rates that hamper investment, USAID needs to work in close coordination with IMF (and other interested donors) in recommending a monetary policy that makes more credit available to the private sector, at more reasonable rates, and that strengthens Uganda's competitiveness in world markets by allowing the exchange rate to depreciate more rapidly when fundamentals require.
- Given the high rates of economic growth required to make a significant impact on poverty in Uganda, USAID should assist the GoU to regain growth momentum in the Ugandan economy, which requires:
- rapid implementation of key elements of the MTCS. This basically means removing constraints that hinder the competitiveness of Ugandan products on world and regional markets.
- a search for new sources of growth in the form of sectors where Uganda can become competitive in world markets;
- continued support for private sector extension of business skills to Ugandan enterprises, especially in the agriculture sector; and
- an extension of financial services to small and medium size and rural enterprises.
- Work in close coordination with other donors in the SWAP for the health sector, to hold the GoU to its planned increases in budget allocations to the health sector;
- Indeed, with the elimination of cost sharing, USAID should work to increase budget allocations for the health sector
- Or work to reinstate cost sharing in the sector.
- Coordinate with other donors in the SWAP for the education sector to ensure that the GoU pays sufficient attention to funding requirements of post-primary education (given that USAID's basic education funds cannot be used for that purpose).
- As the decentralization takes more and more resources to the districts, limited capacity at the districts has become a major constraint to service delivery at the local level. USAID needs to increase the level of effort it devotes to strengthening the planning, management and monitoring capacity of local governments.
- Given the limited resources of SO9, much of this effort and funding will have to come from SO8, and to a lesser extent from SO7.

[1] *Figures from the 1997/98 Background to the Budget (page 80), Ministry of Planning and Economic Development.*

[2] *Scandal surrounded the sale of the publicly owned Nile and Apollo hotels, and the disastrous privatization of the Uganda Commercial Bank led to the closing of Greenland Bank on fraud charges. The GOU had to repossess all there of these privatized assets and initiate a second round of (re)privatization. These and other questionable privatizations led to Parliament's decision in August 1998 to initiate an investigation of the privatization process.*

[3] *Expenditure and net lending jumped to 25.8% of GDP in 1999/2000 because of the redemption of Shs384.5 billion (4.5% of GDP) of a Treasury note to capitalize Bank of Uganda.*

[4] *Expenditure and net lending for 1999/2000 referred to in this section excludes the recapitalization of BoU to avoid possible distortion by this one time expenditure.*

[5] *Preliminary projections from World Bank funded study, January 2001.*

[6] *Figures are from the World Development Indicators, World Bank 2000.*

[7] *Figures used are from the World Development Indicators 2000, World Bank and refer to 1998.*

[8] *Figures from National Education Statistics (reported in USAID/Uganda's R4 for 2003)*

[9] *Uganda National Household Survey, 1999/2000, UboS.*

Table 1: Selected Macroeconomic Indicators for Uganda

Item	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	GoU Projection 2000/01
GDP at current prices									
In Uganda shillings (billion)	3625.9	4069.4	4922.4	5565.4	6023.0	7104.3	7963.4	8671.2	9468.9
In US $ (millions)	3017.0	3690.4	5278.2	5500.7	5692.3	6179.5	5846.7	5732.0	5455.0
Average Exchange rate	1201.8	1102.7	932.6	1011.8	1058.1	1149.7	1362.0	1512.8	1775.0
GDP real growth rate	8.4	5.4	10.6	7.8	4.5	5.4	7.4	4.7	5.0
GDP Deflator (% increase)	29.2	6.5	9.3	4.9	3.5	11.9	3.0	4.0	
Consumer prices (period average)									
Overall (% increase)	30	6.5	6.1	7.5	7.8	5.8	-0.2	6.1	6.0
Non-food (% increase)	26.0	9.9	7.5	10.9	4.4	1.0	2.8	5.0	5.0
Money supply - M2 (% increase)	42.0	33.4	25.3	20.7	15.8	23.7	7.9	8.6	9.9
Base money (% increase)	19.8	42.7	35.1	0.1	18.3	12.5	19.4	6.8	
Interest rate on 91-day Treasury Bills (%)	24.0	10.8	7.4	11.8	9.8	6.9	8.1	18.4	
Savings and investment (% of GDP)									
Gross domestic investment	16.2	15.8	17.1	18.1	18.6	16.9	18.8	24.6	17.7
Private fixed capital formation	9.1	9.9	11.2	12.5	12.8	11.5	13.0	13.7	9.1
Gross National savings (incl. Grants)				16.1	17.6	14.7	14.5	19.4	15.5
Gross reserves (months of imports of G&NFS	2.41	3.57	4.20	4.68	4.50	4.80	4.90	4.40	4.6

Source: Uganda Bureau of Statistics and Research Department, Bank of Uganda

Table 2: GDP at factor cost (current prices)
Percentage shares of Total GDP

Item	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
MONETARY GDP								
Agriculture	23.5	24.5	26.4	24.9	24.5	25.5	25.4	23.0
Manufacturing	6.0	6.5	6.8	7.9	8.6	8.9	8.7	9.4
Construction	5.1	5.2	5.3	6.0	6.4	6.2	6.6	7.8
Wholesale & Retail Trade	11.1	10.5	11.6	12.3	12.7	11.9	12.1	12.9
Transport & Communication	3.7	3.9	3.8	4.0	4.1	4.2	4.3	5.4
Community Services	16.4	17.3	16.4	17.2	18.3	16.7	16.3	15.3
Other sectors	2.6	3.1	3.2	3.5	3.9	3.8	3.6	3.4
NON-MONETARY GDP								
Agriculture	28.1	25.5	23.0	20.3	17.5	19.1	18.9	19.1
Construction	0.7	0.7	0.7	0.7	0.7	0.6	0.5	0.6
Owner-Occupied Dwellings	2.8	2.8	2.8	3.3	3.5	3.3	3.5	3.0
TOTAL GDP	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

GDPat Factor Cost (constant 1991 prices)
Real Growth rates

Item	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	Average
Monetary GDP									
Agriculture	9.8	4.6	6.8	8.4	3.8	2.5	8.4	4.4	6.1
Manufacturing	7.1	15.1	17.3	19.7	13.4	14.4	11.3	1.2	12.5
Construction	11.2	13.5	28.1	14.4	7.7	8.0	7.6	9.4	12.5
Wholesale & Retail Trade	6.0	8.1	22.0	10.9	2.3	6.3	9.7	2.7	8.5
Transport & Communication	7.2	10.6	14.3	11.0	10.6	10.0	8.3	8.2	10.0
Community Services	7.9	6.4	7.2	6.0	6.3	6.0	5.0	6.4	6.4
Non-Monetary GDP									
Agriculture	8.8	-0.8	5.0	0.1	-1.9	1.2	5.1	3.8	2.7
Construction	3.1	3.2	3.1	2.9	2.8	2.7	2.6	2.5	2.9
Owner-Occupied Dwellings	3.7	4.3	6.9	8.0	8.0	7.0	8.0	7.5	6.7
TOTAL GDP	**8.4**	**5.4**	**10.6**	**7.8**	**4.5**	**5.4**	**7.4**	**4.7**	**6.8**
PER CAPITA GDP	**4.5**	**2.2**	**7.3**	**4.7**	**1.7**	**2.7**	**4.7**	**2.1**	**3.8**

Source: Uganda Bureau of Statistics

Table 3: Monetary Survey and relatated indicators

Share of GDP

	Jun93	Jun94	Jun95	Jun96	Jun97	Jun98	Jun99	Jun2000	IMF Proj. Jun-01
Net Foreign Assets	-5.7	-1.9	1.3	3.2	6.3	9.0	9.8	10.5	
Monetary Authority (net)	-7.7	-3.6	-0.8	1.3	3.8	6.4	7.3	7.2	
Foreign Reserves	3.7	5.2	7.6	9.1	11.0	13.0	13.6	13.1	
Commercial Bank (net)	2.0	1.8	2.1	1.9	2.4	2.6	2.5	3.4	
Net Domestic Credit	6.1	5.2	3.3	4.9	4.8	4.3	6.1	7.5	
Claims on Central Government (net)	1.4	0.0	-1.9	-1.2	-1.0	-1.8	-1.6	0.2	
Claims on the Private Sector	4.7	5.2	5.3	6.0	5.8	6.1	7.1	7.1	
Other Items (net)	8.9	7.7	7.0	4.2	2.4	1.0	-1.4	-2.5	
NDA (NET OF REVALUATION)	4.8	4.7	3.1	3.2	2.1	1.9	2.3	3.1	
Broad Money - M3	9.3	11.0	11.6	12.3	13.4	14.4	14.6	15.5	
Foreign Exchange Accounts	1.0	1.1	1.4	1.3	1.7	2.1	2.6	3.6	
Broad Money - M2	8.3	9.9	10.2	10.9	11.7	12.3	11.8	11.8	
Currency In Circulation	2.8	3.3	3.4	3.8	3.7	3.4	3.6	3.5	
Private Demand Deposits	3.4	3.9	4.2	4.0	4.4	4.6	4.5	4.8	
Private Time and Savings Deposits	2.2	2.7	2.6	3.2	3.7	4.3	3.7	3.5	

Memorandum Items

Item	Jun93	Jun94	Jun95	Jun96	Jun97	Jun98	Jun99	Jun2000	
Forex Deposits to M3	0.11	0.10	0.12	0.11	0.13	0.14	0.18	0.23	
Currency in Circulation to M3	0.30	0.30	0.30	0.31	0.27	0.23	0.25	0.23	
Demand Deposits to M3	0.36	0.35	0.36	0.32	0.33	0.32	0.31	0.31	
Time, Savings &CDs to M3	0.24	0.25	0.23	0.26	0.27	0.30	0.26	0.23	
Money Multiplier (M3/Base)	2.33	2.16	2.04	2.44	2.44	2.73	2.60	2.83	
Money Multiplier (M2/Base)	2.08	1.94	1.80	2.17	2.13	2.34	2.11	2.15	
Currency in Circulation to M2	0.33	0.34	0.34	0.35	0.31	0.27	0.30	0.30	
Demand Deposits/M2	0.40	0.39	0.41	0.36	0.37	0.37	0.38	0.40	
Time and Savings Deposits/M2	0.26	0.27	0.26	0.29	0.31	0.35	0.32	0.30	
M2/M3	0.89	0.90	0.88	0.89	0.87	0.86	0.81	0.76	
Time and Savings Deposits/Total Deposits	0.40	0.41	0.38	0.45	0.46	0.49	0.44	0.42	
Demand Deposits/Total Deposits	0.60	0.59	0.62	0.55	0.54	0.51	0.54	0.57	
Forex deposits/M3	0.11	0.10	0.12	0.11	0.13	0.14	0.18	0.23	
Share of Government in Domestic Credit	23.60	-0.16	-58.48	-24.09	-21.13	-41.74	-26.19	2.43	
Share of Private sector in Domestic Credit	76.40	100.16	158.48	124.09	121.13	141.74	116.10	94.88	
Year on Year growth in M3	42.66	32.78	27.37	19.69	18.28	26.06	13.78	15.85	14.6
Year on Year growth in M2	41.95	33.38	25.30	20.74	15.85	23.74	7.85	8.62	9.9
Year on Year Growth in Base Money	19.81	42.73	35.12	0.11	18.25	12.49	19.44	6.77	
Year on Year Growth in private sector cred	43.41	25.98	21.94	33.68	5.16	26.76	32.27	5.92	8.3

Source: Research Department, Bank of Uganda

Table 4: Central Government Budgetary Operations (share of GDP)

Item	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	GoU Projection 2000/01
Revenue and Grants	16.7	16.6	15.8	16.3	17.5	16.8	17.0	18.3	20.2
Total revenue	8.0	9.7	10.4	11.4	12.2	11.3	11.9	11.7	11.1
Grants	8.7	6.9	5.3	4.9	5.3	5.6	5.1	6.6	9.1
Expenditures and net lending	19.8	20.9	18.7	17.7	18.5	17.3	18.3	25.8	22.0
Recurrent expenditure	8.9	10.2	10.7	10.6	11.4	10.3	10.8	11.1	11.9
Wages and salaries	1.7	2.1	2.7	3.0	3.8	3.6	4.3	4.3	4.6
Interest payments	1.9	1.1	1.1	1.1	1.1	1.1	0.9	0.9	1.3
Other	5.3	7.0	6.8	6.6	6.5	5.6	5.7	5.9	5.9
Development Expenditure	10.9	10.6	7.8	7.0	7.1	7.0	7.4	9.1	10.4
External	9.9	9.5	6.3	5.9	5.4	5.7	5.6	6.0	6.9
Domestic	1.0	1.1	1.5	1.1	1.7	1.3	1.8	3.0	3.5
Net lending and investment /1	0.0	0.1	0.2	0.1	0.0	0.0	0.0	5.6	0.1
Overall deficit	-3.1	-4.3	-2.9	-1.4	-1.1	-0.5	-1.2	-7.5	-1.8
Overall deficit (excluding grants)	-11.8	-11.2	-8.2	-6.3	-6.3	-6.1	-6.4	-14.1	-11.0
Change in arrears & adjustments	-1.8	-1.0	0.0	0.0	0.0	0.0	0.0	-0.9	0.0
Financing	4.9	5.3	2.9	1.4	1.1	0.5	1.2	8.4	1.8
External Finacing (net)	5.5	6.0	4.5	2.8	2.4	2.7	3.7	2.1	3.6
Domestic Financing	-0.7	-0.7	-1.8	-1.7	-1.9	-3.3	-2.7	6.3	-1.8
Banking System	-0.5	-0.9	-2.3	-1.9	-1.9	-2.0	-1.2	6.3	-0.1
Non-bank	-0.2	0.2	0.5	0.2	0.0	-1.2	-1.5	0.0	-1.7

/1 1999/2000 includes Shs 384.5 billion (4.5% of GDP) of a Treasury note that was redeemed to recapitalize Bank of Uganda.

Source: Macro Department, Ministry of Finance

Memorandum Items (%)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000
Defence Expenditure/GDP	1.7	2.2	2.3	2.2	2.5	1.8	2.6	2.2
Defence Expenditure/Total Expenditure	8.5	10.4	12.6	11.6	13.6	10.3	13.6	10.7
PAF/Total GOU Budget	0.0	0.0	0.0	0.0	0.0	11.6	15.5	17.0
External Financing/Total Budget	71.6	61.7	52.6	43.6	41.1	48.0	48.3	33.7
Revenue/Recurrent expenditure	90.0	94.7	98.1	106.8	107.4	109.7	110.0	105.5
External Financing/Development Budget	90.9	89.2	80.5	84.0	76.2	82.0	75.5	66.5
Revenue/Total Budget	40.5	46.4	56.0	64.2	65.8	65.0	65.2	45.4
External financing/GDP	14.2	12.9	9.8	7.7	7.6	8.3	8.8	8.7
Government Savings /GDP 1/	2.4	1.7	1.6	1.4	1.3	2.3	2.5	-5.4

1/ savings defined as revenue & grants plus net foreign financing less total expenditure and net lending

Subsidies to Public Enterprises (Ushs billion)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Direct Subsidies	15.2	19.4	56.3	52.4	100.3	9.2	11.3
Indirect Subsidies	149.4	189.1	152.4	154.3	109.8	205.7	132.2
Total Subsidies	**164.6**	**208.5**	**208.7**	**206.7**	**210.1**	**214.9**	**143.5**
Total Subsidies/GDP (%)	4.5	5.1	4.2	3.7	3.5	3.0	1.8

Source: Parastatal Monitoring Unit, Ministry of Finance

Government Recurrent Revenue

Shares of total recurrent revenue

Source of Revenue	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
Tax Revenue	98.6	94.0	94.2	94.5	99.1	99.3	98.7	93.7
Income Tax	14.3	14.8	13.9	12.3	14.1	15.1	17.3	17.1
P.A.Y.E	3.6	3.8	3.7	3.7	5.3	5.9	6.9	8.0
Other 1/	10.6	11.0	10.3	8.6	8.8	9.2	10.4	9.2
Export duties	0.0	0.0	2.6	1.9	0.3	0.0	0.0	0.0
Customs duties	42.9	35.4	34.4	35.1	36.6	31.6	28.3	29.4
Petroleum Products	29.2	21.8	21.6	22.3	27.3	22.7	19.7	19.2
Other	13.7	13.6	12.8	12.8	9.3	8.8	8.6	10.2
Excise Duty	6.6	10.8	9.4	10.0	14.1	14.1	13.3	12.9
Sales Tax & V.A.T.	29.7	28.1	28.6	30.2	30.4	32.2	33.4	29.5
Imported	13.0	12.1	13.5	13.9	17.6	18.2	19.2	15.0
Local	13.1	11.9	11.1	12.5	8.9	7.8	7.6	6.5
C.T.L	3.6	4.0	4.0	3.8	3.9	6.3	6.6	8.0
Other Tax Revenues 2/	5.1	5.0	5.3	5.0	3.5	6.3	6.4	4.8
Treasury Credit Notes	0.0	5.9	4.2	4.3	0.5	0.0	0.0	3.5
Non-Tax Revenue	1.4	0.1	1.6	1.2	0.4	0.7	1.3	2.8
Total Recurrent Revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Uganda Bureau of Statistics; Ministry of Finance, Planning and Economic Development

Table 5: GoU Expenditure by Sector

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
							M T E F Projections		
Share of Total Expenditure (incl. donor projects) (%)									
Total education	12.88	12.00	15.59	16.90	18.76	18.13	18.96	18.60	19.01
Primary Education	4.01	4.44	7.26	9.39	9.43	9.57	10.84	11.05	11.31
Secondary Education	1.43	1.75	2.58	2.44	2.53	2.12	1.93	1.85	1.80
Tertiary Education	2.81	2.65	2.29	2.09	2.32	2.12	1.81	1.73	1.72
Total health	5.21	6.31	5.31	4.34	4.63	4.40	5.36	5.93	7.14
Hospitals	1.87	3.14	2.10	1.79	1.74	1.53	1.44	1.52	1.71
District Services (non hospital	1.85	1.96	1.80	1.69	2.09	2.12	2.68	3.04	3.74
Total law and order	5.81	6.30	6.20	5.89	5.06	4.92	4.42	4.27	4.21
Uganda Police incl. Local Def	2.45	4.13	3.91	3.46	3.16	2.77	2.34	2.27	2.23
Uganda Prisons	0.76	0.77	0.91	0.78	0.71	0.78	0.61	0.59	0.59
Judiciary (Statutory)	0.39	0.41	0.32	0.62	0.65	0.65	0.70	0.67	0.66
Total Roads and Works	2.81	2.79	4.83	3.25	4.15	5.44	6.48	6.28	6.16
Ministry of Works, Housing &	2.20	2.31	3.36	2.40	3.33	4.77	5.64	5.44	5.30
Local Government Roads	0.54	0.43	1.03	0.67	0.00	0.00	0.00	0.00	0.00
District Road Maintenance	0.08	0.04	0.44	0.18	0.82	0.67	0.85	0.85	0.86
Agriculture	1.73	0.98	1.12	0.75	0.68	0.99	1.04	1.02	1.02
Ministry of Agriculture HQ	1.26	0.69	0.79	0.48	0.33	0.53	0.54	0.52	0.52
National Research Organ. (N/	0.34	0.23	0.34	0.27	0.35	0.33	0.30	0.29	0.29
District Agric. Extension Cond	0.13	0.06	0.00	0.00	0.00	0.14	0.21	0.21	0.21
Share of Total Domestic Expenditure (%)									
Total education	19.53	18.59	21.81	25.30	27.04	26.25	26.57	25.74	25.92
Primary Education	6.09	6.88	10.16	14.06	13.60	13.85	15.18	15.30	15.42
Secondary Education	2.17	2.71	3.61	3.65	3.65	3.07	2.70	2.57	2.45
Tertiary Education	4.27	4.11	3.21	3.14	3.35	3.07	2.53	2.39	2.34
Total health	7.90	9.78	7.43	6.49	6.68	6.36	7.51	8.21	9.74
Hospitals	2.84	4.87	2.94	2.68	2.51	2.22	2.02	2.11	2.33
District Services (non hospital	2.81	3.04	2.52	2.53	3.01	3.07	3.75	4.21	5.10
Total law and order	8.81	9.75	8.68	8.82	7.30	7.12	6.20	5.91	5.74
Uganda Police incl. Local Def	3.72	6.40	5.47	5.17	4.55	4.01	3.29	3.14	3.05
Uganda Prisons	1.15	1.19	1.27	1.17	1.03	1.13	0.85	0.82	0.81
Total Roads and Works	0.52	0.50	0.90	0.56	0.76	1.12	1.42	1.35	1.28
Ministry of Works	0.41	0.41	0.62	0.42	0.61	0.98	1.24	1.17	1.10
Local Government Roads	0.10	0.08	0.19	0.12	0.00	0.00	0.00	0.00	0.00
District Road Maintenance	0.01	0.01	0.08	0.03	0.15	0.14	0.19	0.18	0.18
Agriculture	0.32	0.18	0.21	0.13	0.12	0.18	0.18	0.17	0.17
Ministry of Agriculture HQ	0.24	0.12	0.15	0.08	0.06	0.11	0.12	0.11	0.11
National Research Organ. (N/	0.06	0.04	0.06	0.05	0.06	0.07	0.07	0.06	0.06
District Agric. Extension Cond	0.02	0.01	0.00	0.00	0.00	0.03	0.05	0.04	0.04

Source: Fiscal Department, Ministry of Finance, Planing and Economic Development

Table 6: Balance of Payments
(in millions of US $)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
Current Account Balance	-201.11	-137.40	-236.52	-232.40	-221.41	-317.54	-469.90	-525.29
Goods Account(Trade Balance)	-384.39	-436.86	-487.38	-641.89	-562.76	-952.71	-842.36	-1074.44
Total Exports (fob)	172.75	264.68	592.95	588.03	683.51	458.41	549.14	438.91
o/w Coffee	111.33	179.97	456.63	404.37	365.62	268.86	306.74	186.87
Total Imports (cif)	-557.13	-701.54	-1080.33	-1229.92	-1246.27	-1411.12	-1391.50	-1513.35
o/w Oil imports	-57.74	-55.07	-64.44	-89.98	-91.94	-84.19	-107.78	-142.93
Non-factor Services (net)	-100.11	-106.49	-219.83	-250.84	-251.03	-233.67	-256.48	-284.18
Inflows(credit)	80.72	79.23	71.81	135.28	153.95	175.29	177.26	187.37
Outflows(debit)	-180.83	-185.72	-291.64	-386.12	-404.98	-408.96	-433.73	-471.55
Income Account (net)	-53.42	-51.14	-63.50	-47.95	-16.16	-9.70	-12.95	-12.48
Inflows(credit)	4.24	10.82	15.52	21.48	38.41	42.56	49.45	47.40
Outflows(debit)	-57.66	-61.96	-79.01	-69.43	-54.56	-52.26	-62.40	-59.88
Current Transfers	336.80	457.08	534.19	708.29	608.54	878.53	641.89	845.81
BOP Support	81.20	35.63	54.54	36.25	65.55	121.47	63.96	109.79
Project Aid	214.11	205.30	228.00	256.80	234.65	217.88	202.96	202.35
Private transfers	41.49	207.70	242.35	406.62	308.21	538.64	371.08	533.67
o/w NGOs	63.94	70.59	77.93	81.83	85.92	90.21	94.72	99.46
Other	0.00	8.45	9.31	8.61	0.12	0.55	3.89	0.77
Capital and Financial Account Balance	137.28	230.06	366.57	251.95	326.25	427.36	480.31	432.42
Capital Account	31.29	45.83	41.20	52.20	53.31	40.55	40.12	0.00
Capital Transfers	31.29	39.83	41.20	52.20	53.31	40.55	40.12	0.00
Financial Account; excluding financing items	105.99	184.23	325.37	199.75	272.95	386.81	440.19	432.42
Direct Investment	43.53	59.86	109.98	113.36	160.00	190.00	230.00	247.63
Other Liabilities/other Investment (net)	62.46	124.37	215.39	86.39	112.95	196.81	210.19	184.79
Inflows(credit)	177.67	245.69	315.47	239.23	229.61	302.82	309.97	286.19
BOP Support	83.94	119.19	124.43	49.87	45.24	44.95	63.84	38.51
Project & Other	93.73	126.50	191.04	189.36	184.37	257.88	246.13	247.68
Amortization	-104.09	-94.64	-93.15	-83.80	-108.43	-79.98	-113.19	-126.00
Short-term (net)	-11.12	-26.68	-6.93	-69.04	-8.24	-26.03	13.41	24.59
Overall Balance	-63.83	92.66	130.05	19.56	104.84	109.82	10.42	-92.87
Financing Items	63.83	-92.66	-130.05	-19.56	-104.84	-109.82	-10.42	92.87
Monetary Authorities	63.83	-34.76	-130.05	-14.56	-104.84	-109.82	-10.42	92.87
Use of IMF Credit(Net)	9.67	17.64	18.79	22.04	12.09	-4.63	-34.22	-15.54
Purchases	28.46	27.50	51.06	59.32	69.48	54.59	23.27	34.92
Repurchases	-18.79	-9.87	-32.27	-37.28	-57.39	-59.22	-57.49	-50.46
Change In Gross Reserves 1/	-38.49	-96.94	-170.44	-91.50	-142.20	-128.60	2.40	28.70
Exceptional Financing	27.50	33.63	22.31	35.62	17.37	14.93	42.34	77.86
Current maturities	84.74	33.63	35.26	46.56	20.85	29.11	52.84	79.97
Old Arrears	315.39	30.26	34.68	0.00	0.00	61.70	20.38	0.00
Arrears settlement	-372.42	-30.26	-47.10	-10.95	-3.48	-75.88	-30.88	-2.11

Notes:
1/ sign(-): increase in reserves, sign(+): decrease in reserves.

Memorundum Items

	'92/93	'93/94	'94/95	95/96	96/97	97/98	98/99	99/00
Exports of goods and non-factor services	**253.47**	**343.91**	**664.76**	**723.31**	**837.46**	**633.70**	**726.40**	**626.27**
Exports as a % of GDP	**5.73**	**7.11**	**11.23**	**10.70**	**12.01**	**7.42**	**9.48**	**7.67**
Imports as a % of GDP	**-18.47**	**-18.84**	**-20.47**	**-22.38**	**-21.89**	**-22.84**	**-24.03**	**-26.45**
Current Account Balance(incl.grants) as % of GDP	**-6.67**	**-3.69**	**-4.48**	**-4.23**	**-3.89**	**-5.14**	**-8.11**	**-9.18**
Current Account Balance (excl.grants) as %of GDP	**-16.45**	**-10.16**	**-9.83**	**-9.56**	**-9.16**	**-10.63**	**-12.72**	**-14.64**
Total external Debt Stock (end of period)	**2637.20**	**2999.30**	**3386.90**	**3515.80**	**3660.20**	**3631.00**	**3495.60**	**3574.20**
Total Debt Stock (end of period) as a %age of GDP	**87.41**	**80.54**	**64.16**	**63.98**	**64.30**	**58.76**	**60.36**	**62.46**
Total Debt Service (US$ million, including IMF)								
Debt Service (maturities incl. IMF) as a %age of export of G&NFS	**71.23**	**42.79**	**26.35**	**23.40**	**19.84**	**27.41**	**24.43**	**28.10**
Gross External Reserves (US$ mn)	**111.90**	**219.30**	**388.20**	**479.70**	**621.90**	**750.50**	**748.10**	**719.40**
External reserves in months of imports of goods &Services	**2.41**	**3.57**	**4.20**	**4.68**	**4.50**	**4.80**	**4.90**	**4.35**

Source: Research Department, Bank of Uganda.

Table 7: Donor Dependence

Item	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	MFPED Projection 2000/01
Donor Assistance (US$ millions) 1/	504.3	532.5	639.2	584.5	516.9	574.6	512.8	654	750
Donor Assistance (as % of GDP)									
From Fiscal Data									13.8
Budgetary Grants 1/	8.7	6.9	5.3	4.9	5.3	5.6	5.1	6.6	9.1
Of which: budget support 1/					2.9	3.3	3.3	5.7	
Concessional Loans									
Of which: budget support									
From Balance of Payments Data									
Grants	9.8	6.5	5.4	5.3	5.3	5.5	4.6	5.5	
Loan disbursements					4.9	4.2	4.6	5.7	
Loans (net)					3.7	3.2	3.3	4.4	
HIPC debt relief	0	0	0	0	0	0	0.8	0.7	1.6
Donor Contribution (in %):									
Grants/Budgetary resource envelop	51.9	41.7	32.3	34.3	29.4	33.2	30.0	34.4	45.4
Externally financed development expenditu	90.9	89.2	80.5	84.0	76.0	82.0	75.5	66.5	66.4
Grants + loans/Total ForEx earnings 2/	170.2	96.5	70.5	51.7	50.9	58.2	56.2	51.6	
Grants + loans/Exports 3/	198.9	154.8	96.2	80.8	69.6	107.7	84.9	95.9	
Grants + loans/Imports 3/	68.3	60.0	46.6	36.2	35.3	37.5	33.8	30.1	
Another Indicator of Donor Dependence									
Ratio: revenues to recurrent expenditures	90.0	94.7	98.1	106.8	107.4	109.7	110.0	105.5	96.7

Notes
1/ Includes HIPC debt relief, which is considered budget support.
2/ Total foreign exchange earnings include exports of goods and non-factor services plus private transfers.
3/ Exports and imports include goods and non-factor services.

Source: Research Department, Bank of Uganda and Ministry of Finance, Planning and Econmic Development

Table 8: Uganda Development Indicators

Indicator	Uganda	Sub-Saharan Africa	Low Income	Developed Countries	Year of Estimate
GNP per capita (US$)	310	510	520	25480	1998
GNP per capita (PPP US$)	1072	1440	2170	23420	1998
GDP growth rate (% p.a)	7.3	2.3	7.4	2.3	1990-98
Agriculture Value Added (% of GDP)	45	17	23	2	1998
Urban Population (% of Total)	14	33	30	77	1998
Rural Population (% of total)	86	67	70	23	1998
Population growth rate (% p.a.)	2.7	2.8	1.9	0.6	1980-98
Life Expectancy at birth (years)	42	50	63	78	1998
Age dependency ratio	1	0.9	0.6	0.5	1998
Total fertility rate (# of children per woman)	6.5	5.4	3.1	1.7	1998
Contraceptive prevalence rate (%)	15	21	24	75	1990-98
Infant Mortality Rate (per 1000 live births)	101	92	68	6	1998
Under five mortality rate (per 1000 live births)	170	151	92	6	1998
Maternal mortality rate (per 10,000 live births)	510	…	…	…	1990-98
Prevalence of HIV (% of adults)	9.5	7.3	1.2	0.4	1997
Immunization rate, TB *	69	63	72		
Immunization rate, measles *	30	48	55		
Prevalence of Anemia (% of Pregnant women)	30	45	62	…	1985-99
Malnutrition (% children under 5, underweight)	26	33	36	…	1992-98
Health Expenditure per person (US$)	14	33	23	2585	1990-98
Access to safe water (% of population)	34				1990-96
Public Expenditure on Education (% of GNP)	2.6	4.1	3.2	5.4	1997
Adult literacy-male (% of total)	76	68	78	…	1998
Adult literacy-female (% of total)	54	51	59	…	1998
Gross enrollment rate-primary	74	78	107	103	1997
Gross enrollment rate-secondary	12	27	56	106	1997
Defence / total government expenditure	23.9	9.8	16.4	10.1	1997
Foreign Aid (% of GNP)	7	4.1	1.3	…	1998
Foreign Aid per person (US$)	23	21	7	…	1998
Mobile phones (per 1000 people)	1	5	8	265	1998
Traditional fuel use (% of total energy use)	90.6	73.3	19.5	2.4	1996

Note: * From UNDP Human Development Report 2000

Source for rest of data: World Development Indicators, 2000

Central Government Budgetary Operations (share of GDP)

Item	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	IMF Proj. 2000/01
Revenue and Grants	16.7	16.6	15.9	17.0	17.6	16.9	17.1	17.8	21.6
Total revenue	8.0	9.7	10.8	11.2	12.4	11.3	11.9	11.7	11.7
Grants	8.7	6.9	5.2	5.8	5.2	5.6	5.1	6.1	9.8
Expenditures and net lending	19.8	20.9	18.6	19.1	18.3	17.2	18.9	20.5	23.3
Recurrent expenditure	8.9	10.2	10.2	10.2	10.9	10.2	10.8	11.5	12.1
Wages and salaries	1.7	2.1	2.6	3.1	3.8	3.6	4.3	4.5	5.0
Interest payments	1.9	1.1	1.1	0.9	1.1	1.0	0.9	1.0	0.0
Other	5.3	7.0	6.5	6.3	6.0	5.6	5.7	6.0	0.0
Development Expenditure	10.9	10.6	8.2	8.8	7.3	7.0	7.4	9.0	11.0
External	9.9	9.5	6.7	7.7	5.6	5.8	5.6	6.3	7.3
Domestic	1.0	1.1	1.5	1.1	1.7	1.2	1.8	2.6	3.8
Net lending and investment	0.0	0.1	0.2	0.1	0.0	0.0	0.0	0.1	
Overall deficit	-3.1	-4.3	-2.7	-2.0	-1.2	-0.3	-1.4	-2.8	-3.6
Overall deficit (excluding grants)	-11.8	-11.2	-7.8	-7.9	-6.3	-5.9	-6.4	-8.9	-10.4
Change in arrears & adjustments	-1.8	-1.0	0.1	-0.7	-0.7	-1.1	-1.7	-2.0	
Financing	4.9	5.3	2.5	2.7	1.8	1.4	3.1	4.7	3.6
External Finacing (net)	5.5	6.0	4.3	3.8	2.9	2.7	3.3	3.6	4.3
Domestic Financing	-0.7	-0.7	-1.8	-1.1	-0.8	-1.3	-0.2	1.1	-1.6
Banking System	-0.5	-0.9	-1.9	-0.5	-1.2	-1.0	0.0	0.7	0.0
Non-bank	-0.2	0.2	0.2	-0.6	0.4	-0.3	-0.2	0.4	0.0

Memorandum Items (%)

Defence Expenditure/GDP	1.7	2.2	2.3	2.2	2.5	1.8	2.6	2.2
Defence Expenditure/Total Expend	8.5	10.4	12.6	11.6	13.6	10.3	13.6	10.7
PAF/Total GOU Budget	0.0	0.0	0.0	0.0	0.0	11.6	15.5	17.0
External Financing/Total Budget	71.6	61.7	50.8	50.4	44.0	48.5	44.6	47.5
Revenue/Recurrent expenditure	90.0	94.7	106.0	109.6	113.5	110.6	110.1	101.6
External Financing/Development B	90.9	89.2	81.5	87.3	76.8	82.6	75.5	70.7
Revenue/Total Budget	40.5	46.4	58.0	58.7	67.8	65.5	63.4	56.8
External financing/GDP	14.2	12.9	9.5	9.6	8.0	8.3	8.4	9.7
Government Savings /GDP 1/	2.4	1.7	1.6	1.7	2.1	2.4	1.5	0.9

1/ savings defined as revenue & grants plus net foreign financing less total expenditure and net lending

Subsidies to Public Enterprises (Ushs billion)

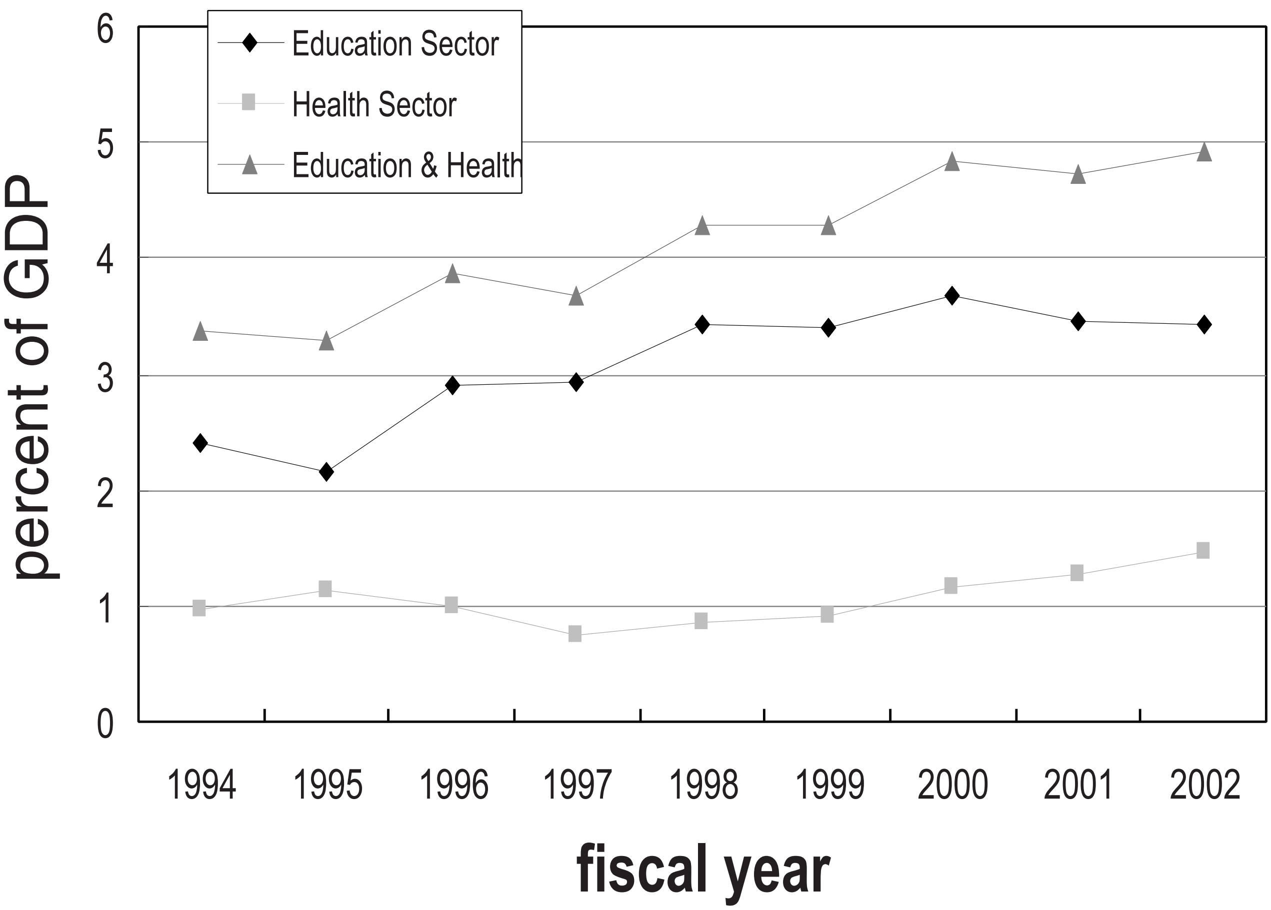
Direct Subsidies	15.2	19.4	56.3	52.4	100.3	9.2	11.3
Indirect Subsidies	149.4	189.1	152.4	154.3	109.8	205.7	132.2
Total Subsidies	**164.6**	**208.5**	**208.7**	**206.7**	**210.1**	**214.9**	**143.5**
Total Subsidies/GDP (%)	4.5	5.1	4.2	3.7	3.5	3.0	1.8

Government Recurrent Revenue

Shares of total recurrent revenue

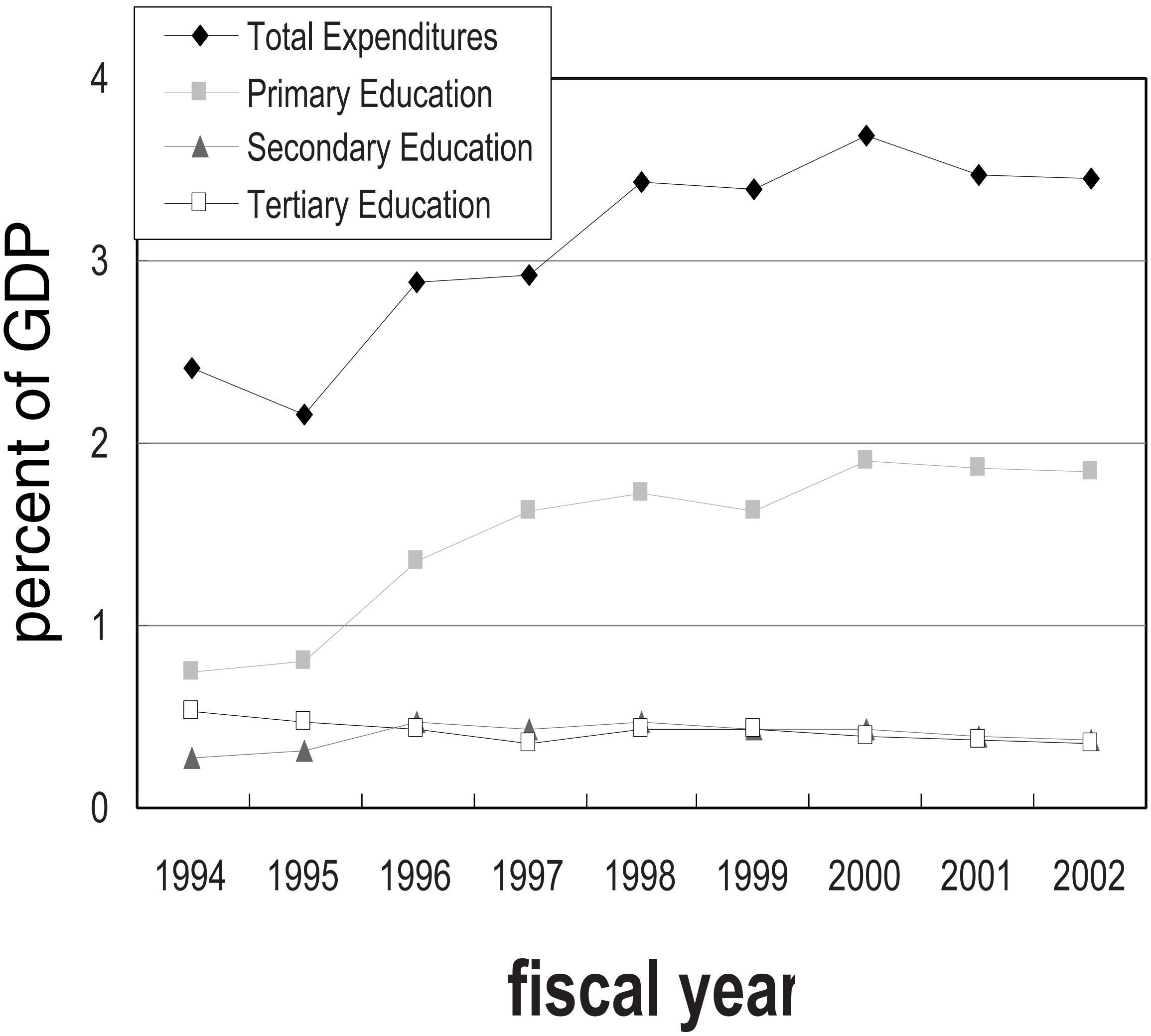
Source of Revenue	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
Tax Revenue	98.6	94.0	94.2	94.5	99.1	99.3	98.7	93.7
Income Tax	14.3	14.8	13.9	12.3	14.1	15.1	17.3	17.1
P.A.Y.E	3.6	3.8	3.7	3.7	5.3	5.9	6.9	8.0
Other 1/	10.6	11.0	10.3	8.6	8.8	9.2	10.4	9.2
Export duties	0.0	0.0	2.6	1.9	0.3	0.0	0.0	0.0
Customs duties	42.9	35.4	34.4	35.1	36.6	31.6	28.3	29.4
Petroleum Products	29.2	21.8	21.6	22.3	27.3	22.7	19.7	19.2
Other	13.7	13.6	12.8	12.8	9.3	8.8	8.6	10.2
Excise Duty	6.6	10.8	9.4	10.0	14.1	14.1	13.3	12.9
Sales Tax & V.A.T.	29.7	28.1	28.6	30.2	30.4	32.2	33.4	29.5
Imported	13.0	12.1	13.5	13.9	17.6	18.2	19.2	15.0
Local	13.1	11.9	11.1	12.5	8.9	7.8	7.6	6.5
C.T.L	3.6	4.0	4.0	3.8	3.9	6.3	6.6	8.0
Other Tax Revenues 2/	5.1	5.0	5.3	5.0	3.5	6.3	6.4	4.8
Treasury Credit Notes	0.0	5.9	4.2	4.3	0.5	0.0	0.0	3.5
Non-Tax Revenue	1.4	0.1	1.6	1.2	0.4	0.7	1.3	2.8
Total Recurrent Revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Chart 1: Social Sector Expenditures



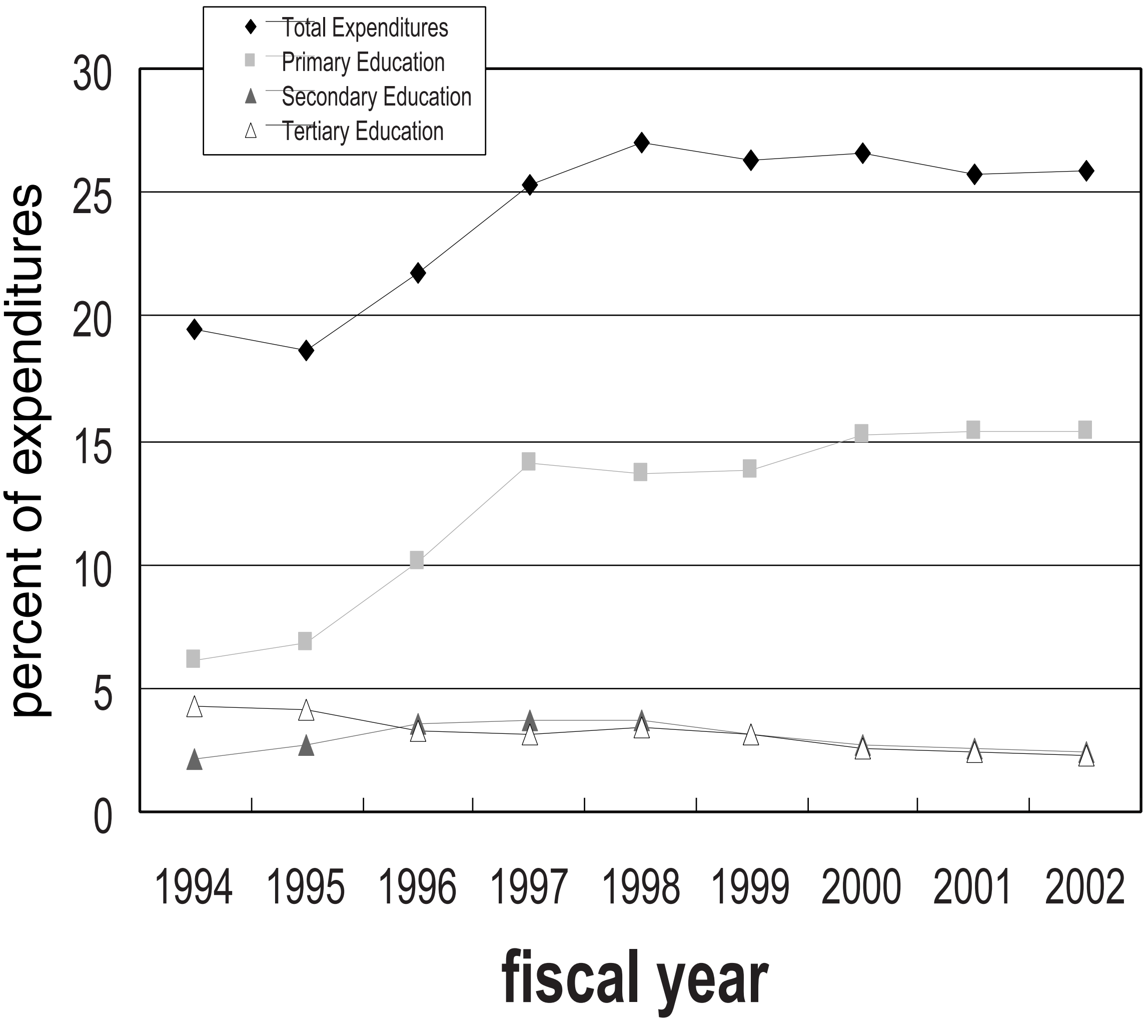
Fiscal year runs from 1 July of the year shown; 2000 and beyond are projections

Chart 2: Education Sector Expenditures



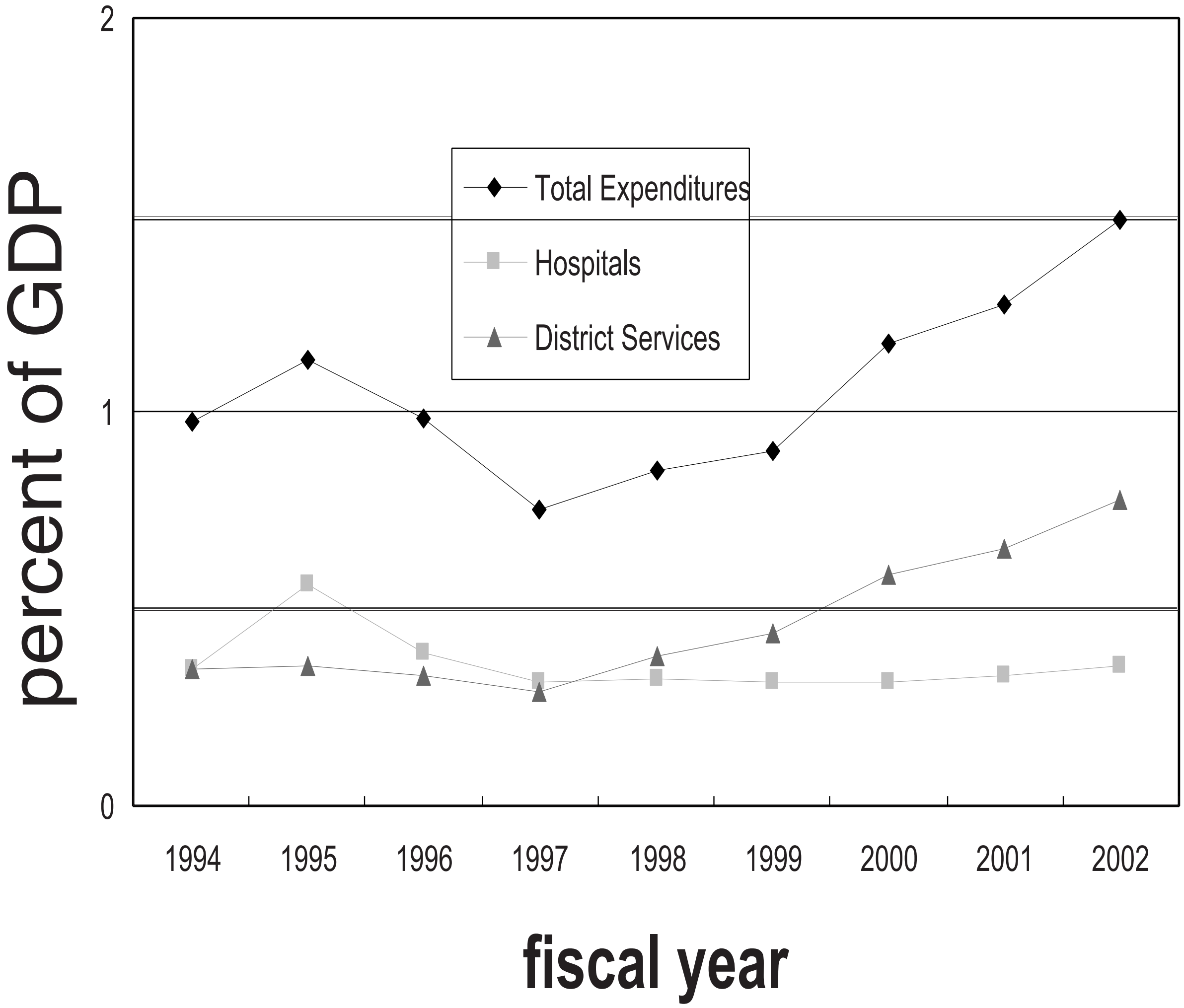
Fiscal year begins on 1July of the year shown, 2000 and beyond are projections

Chart 3: Education's Share in Total Domestic Expenditure



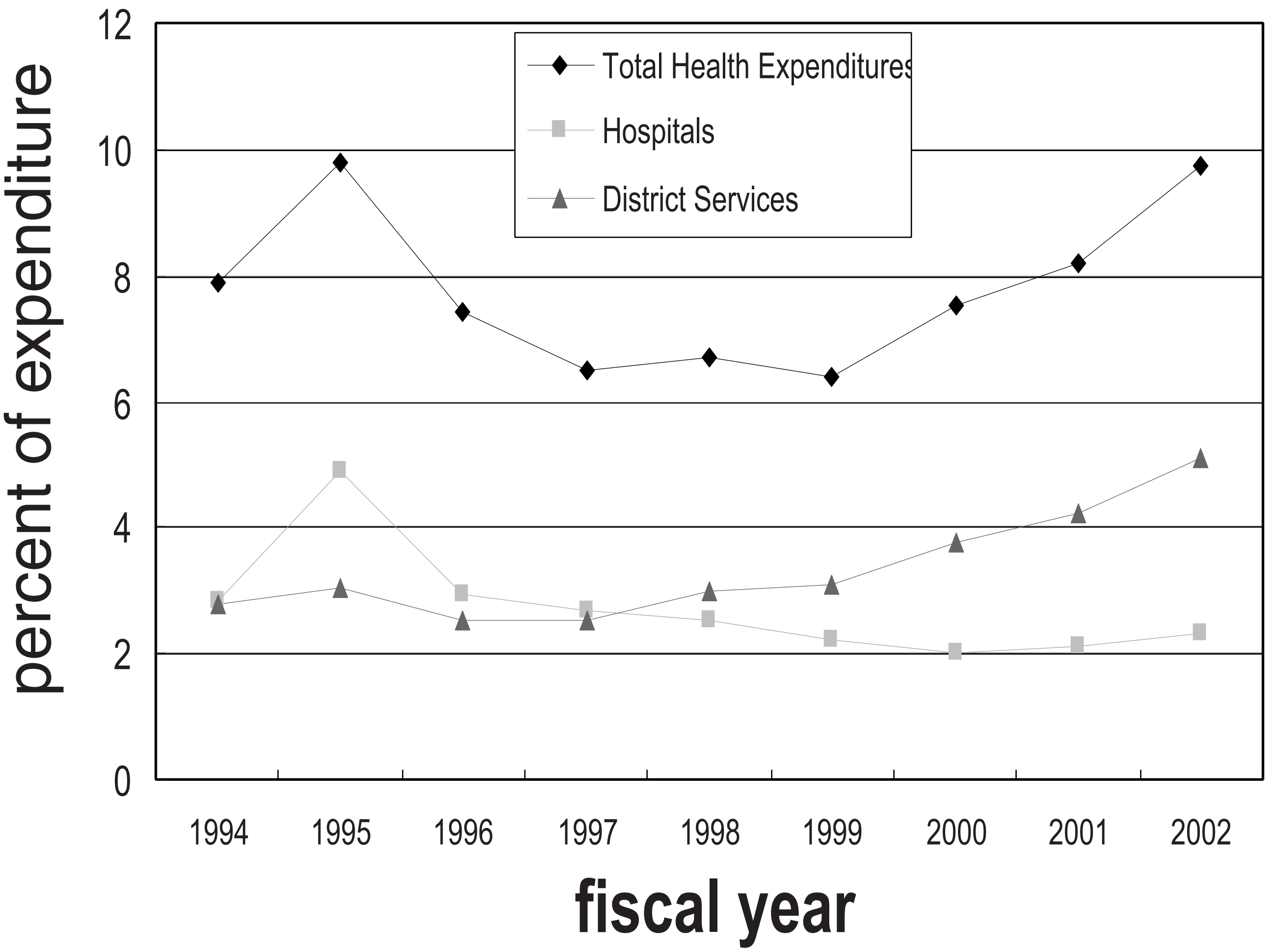
Fiscal year runs from 1 July of the year shown; 2000 and beyond are projections

Chart 4: Health Sector Expenditures



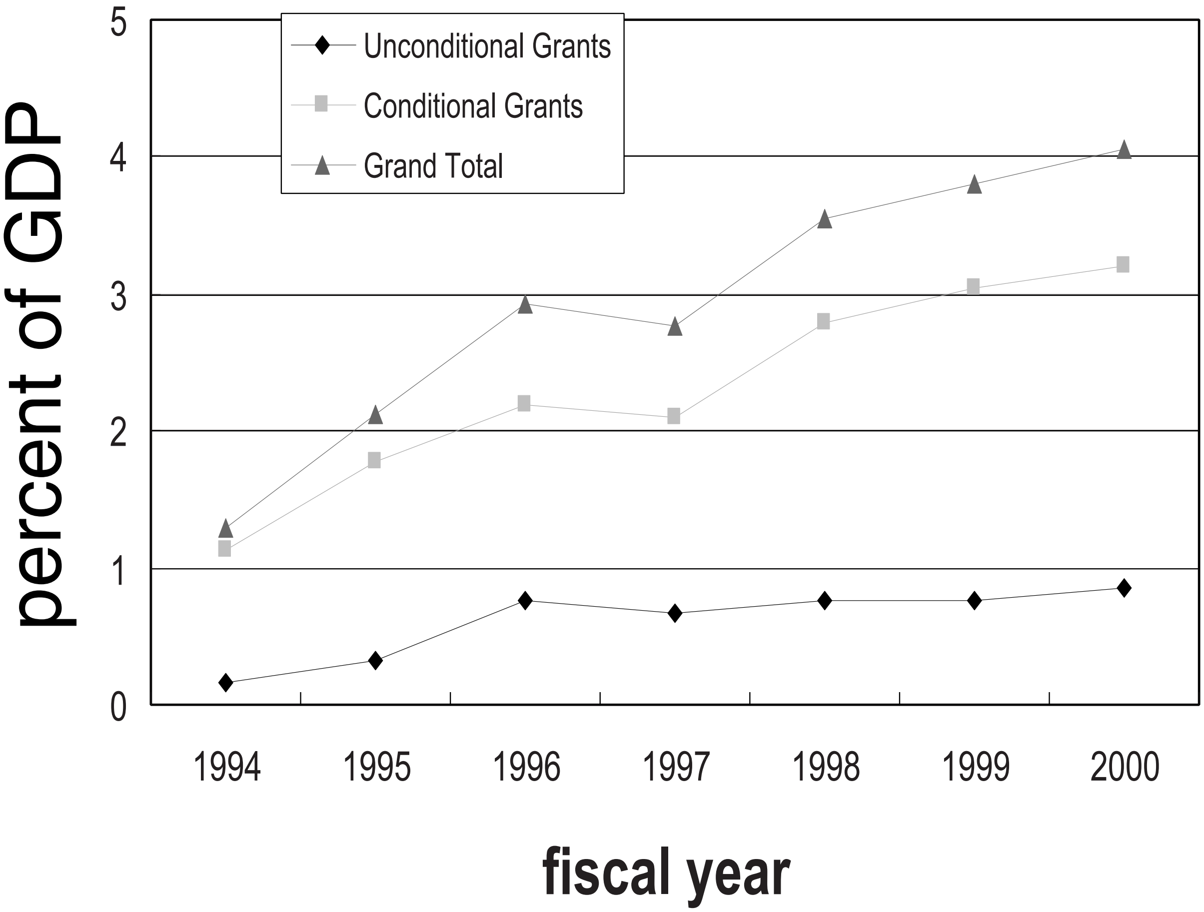
Fiscal year runs from 1 July of the year shown; 2000 and beyond are projections

Chart 5: Health Share of Total Domestic Expenditures



Fiscal year runs from 1 July of the year shown; 2000 and beyond are projections

Chart 6: Central Govt. Releases to Local Governments



Fiscal year runs from 1 July of the year shown; 2000 and beyond are projections

2 INFORMATION AND COMMUNICATION TECHNOLOGY

EXECUTIVE SUMMARY

This report summarizes the findings and recommendations of a study undertaken for USAID/ Uganda as part of its process to develop a six-year Integrated Strategic Plan (fiscal year 2002-2007). This study has two objectives: (1) to provide an up-to-date assessment of Uganda's information and communication technology (ICT) sector and (2) to assess how the developments in that sector might impact on the Mission's program over the period of its new Strategic Plan.

The GOU has created a liberalized, competitive ICT policy and regulatory framework. That framework has created an environment in which private sector firms have been anxious to participate. Indeed, there has been heavy investment in the sector, and that investment has greatly expanded Uganda's ICT network. This competitive process has led to steep price reductions for many ICT services and a rapid growth of the subscriber base. While most of this development has occurred in Uganda's urbanized areas, rural areas are also beginning to benefit from significantly higher access to ICT services. This growth in ICT supply and demand will continue and most likely accelerate significantly over the next six years.

There are, of course, a number of obstacles that inhibit prospects for ICT growth, sustainability and impact. For example:

- There is a profound lack of adequate infrastructure (e.g. electricity) to support ICT applications in many parts of the country.
- Ugandan businesses and GOU Ministries, which have very limited knowledge about or experience with new communications and data processing technologies, are struggling to incorporate ICT effectively into their programs.
- Human resource capacity in ICT is growing but remains embryonic, and most of that growth is taking place in Kampala and other towns.
- ICT policy and regulatory capacity needs to be developed if Uganda is to maintain the rapid growth of the sector.

Nevertheless, the ICT revolution that is occurring will continue to gain momentum, and it will present businesspeople, government officials and development planners with new options. Businesses will have better information about suppliers and customers, new ways to reach customers and access to technologies that improve efficiency. Government officials should have access to data about decentralized activities, better tools to manage resources and better communications with colleagues and clients. Perhaps most significant, communications with the majority of Ugandan citizens who have been largely isolated in remote rural areas should be greatly enhanced.

For development planners such as those in USAID/ Uganda, these changes present new opportunities and not a small number of new challenges. This report cannot, of course, provide a roadmap indicating where and what type of ICT investments will be appropriate in various sectors and programs. However, after reviewing the development of Uganda's ICT policies and infrastructure and learning about a variety of donor-assisted applications, the authors have proposed a set of guidelines to help the USAID Mission to assess potential ICT applications. These principles include:

- Implementing cost-effective, affordable, sustainable, and replicable applications
- Out-sourcing ICT-related activities whenever possible

- Avoiding supply-driven ICT solutions
- Designing flexible solutions
- Looking for project and network synergies
- Encouraging aggregation of demand
- Avoiding ICT applications that could exacerbate income inequality
- Insisting on customized data to measure utilization and cost-effectiveness
- Working with “local champions”
- Maximizing user accountability
- Avoiding interventions that distort private sector initiatives

In addition to these guidelines, this report provides a number of illustrative, crosscutting and Strategic Objective-specific investments that USAID/Uganda might wish to consider. These include, for example:

Crosscutting illustrative investments

- Strengthen the Uganda Communications Commission (UCC) so that it can continue to create the appropriate ICT environment
- Help to develop coordinated ICT solutions for multiple government users at the district level
- Integrate privately-owned, community-based telecommunications systems in cross-sector initiatives
- Assist the GOU to develop an appropriate regulatory framework for the energy sector

To strengthen private sector development

- Computerization and connectivity of import and export clearance systems
- Development of policy, legal and regulatory framework for E-commerce
- ICT training vouchers for SMEs

To strengthen social service delivery

- Computer and internet-based transmission and processing of data pertaining to commodity supply and management
- Telephone communications for rural social service providers
- Training for middle and senior level officials on locally appropriate ICT applications

To support democracy, good governance and conflict resolution

- Development of a computerized voter registry

Finally, this report suggests that USAID/Uganda, which may already be at the forefront of USAID programs in acknowledging the potential of the ICT revolution, further intensify its efforts to monitor and assess the changes and opportunities that ICT changes present. To achieve this, the authors recommend that the Mission consider better integrating its ICT advisor into the programming process and creating an ICT advisory group composed of knowledgeable Ugandans that would help Mission staff to keep abreast of changes and to assess new technologies and applications.

3 FOOD SECURITY

EXECUTIVE SUMMARY

The rich natural resource base, the success of smallholder agricultural production, and the rising incomes of the population of Uganda create the expectation that Uganda could be “the breadbasket” for the Horn of Africa. However, that expectation has not come to fruition. Uganda continues to be plagued by internal social conflict, as well as spillover from warring neighboring countries. While the Lake Victoria Crescent has returned to relative civil stability and dynamic economic growth, civil disruption continues across the north and along the western border resulting in approximately one million displaced persons who are particularly vulnerable to food insecurity. This dynamic, coupled with national statistics of poor nutritional status and the steady prevalence of HIV/AIDS, has negatively impacted the food security situation in Uganda and continues to disrupt the pursuit of livelihoods in some of Uganda’s most productive areas.

The U.S. Agency for International Development (USAID, 1995) defines food security as when people have regular access—either through production or purchasing power—to sufficient food to meet their dietary needs for a healthy and productive life. This paper uses a resource framework in which particular attention is paid to the *availability*, *access to*, and *utilization* of food resources.

The primary causes of food insecurity in Uganda are poverty, low agricultural productivity, conflict, HIV/AIDS and the occasional natural disaster like droughts, and floods. Poor food utilization, particularly as it relates to the nutrition of young children is also a food security issue. All of these causes except the natural disasters are chronic situations. Resolving problems of chronic food insecurity requires development solutions, not temporary food relief. Food relief may be required to prevent famine, but it largely treats the symptoms, not the causes of food insecurity.

While many poor households do not have the resources—either from agricultural production or income—to feed their members adequately, food *availability* at the national level is typically not the cause of food insecurity in Uganda. The production of basic food crops nationally is sufficient to meet the minimum energy requirements of the population. Uganda has been blessed with a rich natural resource base and two rainy seasons per year over much of the country. If one harvest fails, the next harvest is only 3-4 months away. In addition, crops that have definite harvest periods constitute only about 40% of the supply of basic food crops. Bananas, which supply 53% of Uganda’s basic food crop production by weight, are not seasonal but produce all year round. Cassava, which supplies another 7.5% of basic food crop production can be harvested over a number of months and stored in the ground until needed.

This is not to say that every corner of the country has all the food that it needs all of the time. There are constantly reports of drought, floods, armyworm attacks or other localized problems. However, these problems are generally localized and do not cause the nationwide famines that have plagued neighboring countries. The only region seriously deficit in the production of basic food crops per capita is the Central Region, which is by most accounts the best fed region of the country. The Central Region’s focus on cash crops and expansion into high-value specialty crops for urban and export markets provide the region’s rural population with above average incomes and food security. This performance confirms the notion that self-sufficiency is not necessary for food security, even in a very poor country, and makes the Central Region the model or "poster boy" for high value and export led growth in the agricultural sector.

Approximately 53% of agricultural production is marketed and about 40% of food crops is marketed outside the immediate production area. Transport and marketing infrastructure are primarily oriented to sending marketed foods to the urban areas. Food commodities may well have to transit through urban commodity dealers and be sent back to a deficit locality in the rural area, if the people have the means to pay the urban commodity dealers a price that is competitive with urban food prices.

Rather than *availability*, the primary cause of food insecurity in Uganda is poverty, which limits *access* to an adequate supply of food to meet minimum nutritional requirements. Calculations made during the development of the Food Poverty Line for Uganda indicate that the poorest 50% of the population consume less than 1400 calories per capita per day. This is far below the 2200-2300 calories per capita per day estimated to be necessary to meet minimum nutritional requirements. The approximately 20% of the population below the Food Poverty Line are by definition food insecure, and the 35% below the Poverty Line are probably food insecure as well.

The Poverty Rate in Uganda has declined from 56% in 1992 to 44% in 1997 to 35% in 1999. This is one of the most remarkable successes of economic growth in Africa. However, this still implies that 35% of the population have insufficient income to provide minimum family consumption requirements in addition to other non-food necessities. Nearly 20% of the population do not have sufficient home production and income to provide minimum family consumption requirements alone. This last factor is important because poverty in Uganda is almost entirely a rural phenomenon. While less than 10% of the urban population is below the Poverty Line and even fewer are below the Food Poverty Line, 39% of the rural population are below the Poverty Line and a little more than 20% are below the Food Poverty Line. Rural poverty has declined sharply from 60% in 1992 to 39% in 1999. Cash crop farmers have seen poverty rates decline more rapidly than have non-crop (livestock, fishing) and food crop producers.

Economic growth is responsible for the entire reduction in poverty indicated above. The very modest redistribution effects have had a negative impact rather than helping to reduce poverty. Since poverty is the primary cause of food insecurity, poverty alleviation through economic growth is the primary solution. However, prospects for economic growth will also be compromised if large portions of the population such as single parent households and those households whose livelihoods are disrupted by conflict, poverty or AIDS remain disenfranchised and neither contribute to nor benefit from economic growth. Furthermore, economic growth will not result in an enhanced quality of life for the people of Uganda if large portions of the populations remain excluded from its benefits.

Smallholders are responsible for 95% of the agricultural production in Uganda and are generally characterized as low-input low-output consumption oriented producers. While low agricultural productivity has not prevented Uganda from producing enough food to feed its population, it does constrain the ability of rural households to produce adequate food and income to provide proper nutrition for their members. It also constrains the competitiveness of Ugandan agricultural products in international trade, which further limits opportunities to earn income.

Another chronic food security issue is the poor nutritional status of young children in Uganda. Nationally, 33% of children ages 0 to 5 years have their growth stunted because of inadequate food intake/ nutrition and healthcare. While stunting is highly correlated with poverty, it is not clear that reducing poverty alone will solve this problem. There is concern that many mothers may not have proper nutrition and health care to bear healthy babies and provide adequate breast milk for exclusive breastfeeding, that economic responsibilities may constrain mothers from providing adequate feedings, and that cultural traditions and poor education may prevent mothers from providing nutrient-rich weaning foods and initiating supplemental feeding at the appropriate age. There is also concern that inadequate healthcare may prevent young children from utilizing the nutrients available in the food they consume. Pre- and post-natal programs focused on nutrition and healthcare of the mother and child have helped address these concerns in other countries.

HIV/AIDS is another significant problem with regard to food security, economic growth, and poverty alleviation. At a minimum, some 1.8 million people are HIV positive, and the epidemic has already resulted in 1.7 million orphans (and the number is growing). Since many of the 1.8 million HIV-positive people are adults with families, millions of additional family members are living with HIV/AIDS. One might hazard a guess that the number approaches 20-30% of the population. If this large a segment of the population is excluded from participating in and contributing to economic growth, it would negatively impact future rates of economic growth, and there would be little chance that the national poverty alleviation objectives could be attained.

In Uganda, conflicts—both internal civil unrest and warfare in neighboring countries—have caused some 800,000-900,000 citizens to be displaced from their lands and located in protected camps, along with another 200,000 refugees from neighboring countries. The North, the region most affected by conflict is the region that has seen the least progress on reducing poverty and food security, and the only region where rural incomes and consumption actually declined (poverty incidence among rural populations rose from 62% to 67%) between 1997/98 and 1999/2000. Some of the areas most affected, particularly Gulu and Kitgum, have been (and potentially are) among the most productive regions of the country in the past. Conflict is a major constraint to national food security, economic growth, and poverty alleviation. Since many of the camp dwellers have been displaced two or three times over the last 15 years; the problems of income and food security are chronic and not amenable to solution by food relief alone.

Economic/Agricultural Component

Although Uganda remains one of the poorest countries in the world with 1999 per capita GDP of $320, economic growth rates for the last decade have been among the highest in sub-Saharan Africa. Poverty rates have declined significantly and the rate of growth in food production exceeds the population rate of growth. Although agriculture remains the largest economic sector, it continues to grow, its contribution to GDP is declining. Rapid growth in the service sector and the industrial sector are the cause of this decline. The agricultural sector accounts for 44% of GDP, 80% of employment, and nearly 90% of merchandise exports, of which coffee provides 55%. The five-year average total production of basic food crops (by weight) increased 35% between 1981-85 and 1995-99, or at a rate of approximately 3.4% per year. Total area planted to these basic food crops grew by about 46% during this same period. With land area increasing more rapidly than production, productivity in food crops overall has apparently declined slightly over the last 20 years.

The key to addressing food security in Uganda is poverty alleviation through economic growth. Economic growth and increasing incomes will do more to reduce food insecurity for a larger number of people than any other strategy. Addressing conflicts, HIV/AIDS and the poor nutritional status of young children are other necessary aspects of an overall food security strategy that also begins to address the issues of groups marginalized by the typical economic growth process. Addressing these issues will contribute to poverty alleviation and help maintain high levels of economic growth. In addition, several approaches should be considered to help alleviate food insecurity and contribute to economic growth and poverty alleviation.

Improved Agricultural Productivity

The most basic approach to achieving economic growth in agriculture and improving food security is through improved agricultural productivity. This is an important aspect of the PMA strategy of facilitating a transition from “subsistence” (more correctly, low-input, low-output, consumption oriented) production to commercial agriculture. There are many things that may stimulate improved agricultural productivity, including improved technology and practices, technology transfer, facilitating access to agricultural inputs, marketing services, improved transportation, improved post-harvest handling and processing, and secure land tenure. However, there is no certainty that agricultural production and productivity will improve until all of the necessary enabling conditions for productive and profitable agricultural production are provided. As each of the constraints is overcome, another of these necessary conditions will limit the advance in agricultural productivity until it too is overcome. However, as each constraint is eliminated, agricultural production in general, or some aspect of agricultural production in particular, will move to a higher level. For example, if one resolves a commodity marketing constraint, production will typically increase, albeit perhaps less than one might hope if lack of access to basic input supply, credit, or improved production technologies still constrains production and productivity.

Income Diversification

While there may be adequate food nationally, many (particularly rural households) do not have either the home production or the income to *access* the food they need. Increasing food crop production is one way to resolve this problem, but only one of several. A massive campaign to increase production of a given crop, if successful usually results in a sharp fall in the price of the commodity. A focus on income diversification has the advantage that it provides an opportunity for farmers to achieve food security through cash crops, livestock production and a variety of other methods that may better fit their systems of production, and with less risk of a crop failure or a price decline producing a national or regional disaster. Off-farm employment and other non-farm income-generating activities should be included among the options considered. At the sector level, diversification into new high value crops and export markets has better potential than traditional crops of resulting in rapid economic growth and opportunities for employment generation.

Asset Accumulation

Agriculture tends to be cyclical in nature, and most farmers have to expect that there will be bad seasons or years. Farmers need to set aside assets that they can draw upon to help ensure food security in those bad years. Any income-generating activity can serve this role, if some of the income is saved. Enterprises like livestock production that build income-generating assets, some of which can be sold in hard times, may provide a better buffer against food insecurity than some other forms of income. Off-farm income may serve a similar purpose by helping maintain household income when the farm income is down.

Addressing Groups with Special Needs

A variety of groups with special needs are at risk of food insecurity and of neither benefiting from nor contributing to economic growth. These include the very poor, internally displaced persons (IDPs), women- and child-headed households, orphans and families living with HIV/AIDS. Families with one or more of these disadvantages would perhaps constitute 25-35% of the total population. It seems unlikely that the economy can maintain a high rate of economic growth if this large a segment of the population is not benefiting from and contributing to that growth. To the extent that the very poor, IDPs, women- and child-headed households, orphans, and families living with HIV/AIDS have chronic income and food security problems, then these are development problems and not just transitory problems that can be adequately addressed by relief. Many of these families are capable of fully participating in growth oriented and income-generating activities and more will be able to do so if they receive a minimum of strategically targeted assistance with some of their special needs. However, these families are greatly in need of income-generating activities appropriate to the reduced labor status that many of them have experienced.

Multi-Sectoral Development Approaches

Activities that use a multi-sectoral approach seem likely to have the best chance of addressing the development needs of vulnerable populations. Programs that have a local level geographic focus (District, county, sub-county) should look at ways of providing, or partnering with other programs to provide, responses to the population's needs with regard to food production (*availability*), income generation (*access*), and nutrition and health (*utilization*). Addressing nutrition (particularly adequate sources of nutrient-rich foods) and healthcare and maintenance will also address many of the immediate needs of families living with HIV/AIDS. Many of these families are capable of fully participating in growth oriented and income-generating activities, and even more will be able to do so if they also receive some help with these basic needs. Economic growth and poverty alleviation have a much better chance of achieving their quality of life objectives if a substantial portion of these disadvantaged households can be maintained in the mainstream of families with growing incomes, which will have a positive impact on food security.

Relief to Development Transition

Most people experiencing food insecurity in Uganda are suffering from a chronic situation of poverty, conflict, and limited household labor rather than the loss of a season's food supply because of a natural disaster. These people need development activities to address the chronic nature of their problem rather than just short-term relief. A transition from relief to development is very welcome but difficult to accomplish. Relief keeps people alive in a famine situation but often has a tendency to inhibit people from taking control of their own lives, community and development. Unless ways can be found to reduce these disincentives from relief actions, it may be better to find some approach that separates relief and development activities. School feeding may provide a focus for meeting some of a community's food needs and allow relief to be separated from other development activities.

Nutrition Component

While the poverty rate has decreased from 56% in 1992/93 to 35% in 1999/2000, the data shows a continued high percentage of preschool age children who exhibit stunted growth as well as a continued prevalence of wasting and underweight children. Some of these statistics are specific to the Northern Region of Uganda with its problems of continuing civil disturbance, but it has been found that poor nutritional status among Ugandans is widespread with the highest stunting rate reported in the Western Region of the country. These statistics relate to a variety of factors such as childhood illnesses, lack of micronutrients, food consumption patterns, and the distribution of resources within the household. Therefore, to achieve effective food security programming, interventions need to pay more attention to incorporating activities that address these factors, while continuing to stimulate increased household income. This more integrative approach involves not only the *availability* and *access* of food, but its *utilization* by the population as well.

Food consumption of the poor is often insufficient to meet minimum nutritional requirements, particularly in terms of calories per capita per day. As stated earlier, those in the population who fall below the Food Poverty Line, by definition fail to meet these requirements. The 35% of the population that falls below the Poverty Line, probably do not receive the 2200-2300 calories per capita per day estimated necessary to meet these requirements. Since incomes are higher in urban areas, urban populations have higher average consumption than do the rural populations. Food and related products constitute nearly 60% of rural expenditures (treating home grown food as if it were an expenditure) and about 40% of urban expenditures.

Interpretation of the results of and comparisons between the 1988/89 UDHS, 1995 UDHS, and 1999 UNHS national-wide surveys need to be done with caution. For the most part, comparisons do show a declining trend in stunting, wasting, and underweight over the years. But comparing individual statistics is not a straightforward affair. For example, the 1995 survey included only children age 0 to 48 months, rather than 0-60 months in the 1988/89 survey and 6-60 months in the 1999 survey. Since older children in this age group tend to have the highest stunting rates, the stunting rate for 1995 would be higher if the broader age group had been used. Also, in each of the surveys a different groups of districts was excluded for security reasons. Since children in areas affected by civil insecurity tend to have worse nutritional status than those that do not have conflict, one must assume that all of the surveys would show somewhat higher rates of stunting, wasting, and underweight, if it had been possible to include these areas. The fact that each survey excludes a different set of districts makes comparisons between them less accurate. The 1988/89 survey excluded the most districts, so it probably also understates stunting, wasting, and underweight more than the others with regard to that consideration alone. There is little basis to decide whether the exclusion of districts with conflict or the exclusion of the children age 49-60 months of age, causes the greater under reporting. Fortunately, the 1999 UNHS survey seems to generally indicate both better nutritional status and the least bias toward under reporting.

The percentage of children affected by wasting remains low with the exception of the North, where conflict and disruption of access to food apparently have had a significant impact. While the national average in 1999 was 4.7%, the average for the North was 7.1 %, more than 50 percent above the national average.

Another regional disparity is that in the 1999 UNHS, the Western region had the highest prevalence of stunting at 39.3%, even though it had the second highest income and the highest food production per capita of the four regions. This contradicts a large body of literature based on many such surveys that would lead one to expect that higher income and food production should be associated with lower rates of stunting. There is no obvious answer to this anomaly.

Another interesting observation is the gender bias contained in the anthropometric data presented by the three national surveys. In all of the surveys, the statistics show that boys have a poorer anthropometric performance than girls, particularly with regard to stunting. However, several studies indicate that it is not the lack of food intake that creates this phenomenon, but rather that morbidity is higher among young boys than girls. Young boys are reported to be more biologically fragile than young girls, as manifested in higher morbidity and mortality rates. The poor nutritional status of boys relative to girls may reflect this tendency of boys to be ill more often than girls.

If poor health and childcare practices persist, even among higher-income groups, improvements in household income and food production may not automatically translate into improved nutritional status among children. There is a higher prevalence of stunting among children 6-23 months of age in cultures that delay supplemental feeding beyond the 4-6 month age. There is also an indication that economically active mothers may not breastfeed young children as often as would be desirable.

Nutritional status is traditionally viewed as a feedback indicator that provides information about how well children are surviving the food security (and health) conditions that existed over the previous 5 years (when surveying children 0 to 60 months). If growth-monitoring data can be made available on a monthly or periodic basis, it can potentially be used to monitor current changes in food security. Fluctuations from month to month in the weight of a particular age group would reflect food intake and health conditions during that period. A declining trend in weight for age would indicate reduced nutrition (or a health epidemic of some sort) that would likely be associated with reduced food intake.

Improvements in access to micronutrients—particularly Vitamin A, iodine, iron and zinc—need to be targeted among nutrition-related interventions. Wasting, as a measurement of acute nutritional (or health-related) distress should be used in conjunction with mortality data, particularly in refugee or IDP camp populations.

The Luwero Rabbit Project and the Africare Uganda Food Security Initiative are examples of successful projects that increase food security both through increased production and diversification of food products, but also through the integration of nutrition education. Such educational programs associated with agricultural activities can help translate the improved availability and access to food into better nutritional status results at the household level.

HIV/AIDS Component

Uganda is one of the African countries where HIV/AIDS was first recognized and where its impacts have been most severe. In the mid-1980s, the government responded early to the epidemic after realizing the potential magnitude of its impact on the country. It has achieved notable success in fighting HIV/AIDS after developing one of the most vigorous and comprehensive HIV prevention and AIDS mitigation efforts in sub-Saharan Africa.

The number of people living with HIV/AIDS (PLWHA) in Uganda is approximately 1.8 million out of a total population of 21.4 million. The national HIV prevalence was 8.3% in 1999, a remarkable decline in new HIV cases in comparison to the previous decade where HIV prevalence was as high as 30% in some areas. Information from voluntary testing programs indicate that prevalence rates among young women remain 2 to 2.5 times higher than for young men of the same age group. However, knowledge of HIV prevalence for the country's 56 districts is far from complete, especially in the rural areas, and the Northern and Western regions that have been embroiled in prolonged civil conflicts. The decline in HIV prevalence, though significant, needs to be viewed as a vulnerable success.

AIDS is presently the leading cause of death among Ugandan adults. The extent of sustained behavior change with regard to preventing the transmission of

HIV is not entirely clear. The rate of HIV infection is highest among 15- to 49-year-olds, who constitute the most productive members of society. More than one-half of Uganda's population is below 15 years of age and will soon enter the age range of highest risk for HIV transmission. These demographics suggest that a second wave of the HIV epidemic could occur, could affect even more people than the first wave, and has the potential to produce an even larger impact on the economy. Coupled with these demographics is a growing orphan burden that is currently estimated at 1.7 million and expected to reach 2.1 million by 2010. These statistics suggest that the AIDS epidemic significantly affects the economic and social fabric of Ugandan society and could have even greater impacts in the future. The potential ramifications need to be acknowledged when considering development strategies, as HIV/AIDS will likely affect practically every sector of the economy and society.

Strategies for working with AIDS-afflicted and -affected households may require elements of triage, as well as strategic targeting of limited resources to groups with special needs. Many of the AIDS-affected households have become single parent households. Mainstream economic growth and food security programs (such as those supported by USAID's integrated Strategic Objective 7) have had great success in recent years working with or incorporating women and women's groups and have not found it necessary to exclude women-headed households from participation. The local groups developed under these programs should be encouraged to include adults who have lost their partners but do not show symptoms of HIV/AIDS. While there may be a perceived risk with regard to the ability of these households to repay loans, the time-frame of most loans is so short (usually 4-6 months) that if the individual does not show symptoms of HIV/AIDS, the risk of that person defaulting on a loan because of HIV/AIDS is very small. This strategy would allow the majority of AIDS-affected household members to continue to participate in and benefit from mainstream agricultural production, food security, and economic growth programs. In particular, it would allow the majority of the AIDS-affected households access to income-generating activities and microfinance opportunities with the goal of asset creation to improve the resilience of these households to cope with the food security challenges imposed by poverty and HIV/AIDS.

What the majority of AIDS-affected families need most, like many other woman-headed households, are income-generating activities consistent with their family's reduced labor status. Mainstream food security and economic growth programs should seek out and offer income-generating activities consistent with this reduced labor availability, even if these activities produce somewhat less income than others. Moreover, these families need an opportunity to rebuild their family assets and social capital.

Addressing the needs of AIDS-afflicted households will be more difficult. These families include households with a high dependency ratio, usually headed by a single parent, grandparent, older children, or families with multiple foster children. Their circumstances will vary, but many will have very limited income and few assets. In some cases, transfers from other family members or charitable organizations may be all that permits the family to remain intact. Some may benefit from short-term relief combined with vocational and livelihood skills training and expanded income-generating activities and opportunities for longer-term self-reliance.

The LIFE initiative can provide the short-term nutrition and health care support that these families require. Others may require some form of relief until the children are old enough to care for themselves or other homes are found for the children. One of the difficult questions will be whether or not these families will continue to receive support so that the children may remain in school, or, if the children will be withdrawn from school to help support their family at an early age. Many of these families will need support mechanisms, both for economic and psychosocial considerations. Most commercial financial organizations may not provide loans to these families because they are not good credit risks. It will be necessary to develop creative strategies to help these AIDS-afflicted groups develop income-generating activities.

One approach may be modeled after the Ugandan Women's Effort to Save Orphans (UWESO), which organizes groups of five foster families into a support unit. They are provided with 10 weeks of training, particularly oriented towards business and credit. Loans are paid back in small installments over a period of a few months. The participating families help each other meet the material needs of the foster children in the group, particularly when there is a large expenditure, such as for medical expenses or school fees. The NGO and relief organizations, particularly those working through the LIFE initiative, are an important mechanism to: 1) develop groups that might collaborate on a group IGA or share the responsibility for repayment of loans related to individual IGA; 2) organize community groups that can provide accounting and other business services and/or literacy and numeracy training; and/or, 3) provide loan guarantees on a group or community basis so PLWHA and AIDS-afflicted households can gradually expand their incomes and rebuild assets that have been drawn upon or lost as a result of HIV/AIDS.

PLWHA and AIDS-afflicted households in conflict areas that are supported through the integrated Strategic Objective 9 face unique circumstances that will require a combination of short-term relief (food aid provided by organizations such as the World Food Program) and longer-term livelihood skills training and income-generating opportunities. The transition from relief to development in conflict areas is extremely complicated. The short-term relief often drags on longer than anticipated without any exit strategy, or relief provisions of one organization may undermine the ability of other organizations to create incentives for communities to take charge of their own development. There is a need for NGOs to collaborate more effectively and promote capacity building and civic engagement among local stakeholders to gain a deeper understanding and personal investment in food security problems within conflict areas.

In conclusion, the cross-sectoral nature of HIV/AIDS requires a well-coordinated and multi-sectoral response that has been characteristic of the Government of Uganda—coordinated for nearly a decade through the Uganda AIDS Commission. The continuation of an expanded response is essential so that sectors can identify and address specific factors predisposing groups to the vulnerability of HIV risks and the myriad impacts of AIDS. HIV/AIDS must be placed in the broader context of development planning if sustainable economic growth and gains in human development are to be achieved for all Ugandans.

4 ENVIRONMENTAL OPTIONS

EXECUTIVE SUMMARY

I. Purpose of the Assessment

The purpose of this assessment is to help USAID/ Uganda and its partners focus scare SO7 development resources on interventions that offer significant prospects of influencing environmentally sustainable growth. Choices need to be made about where to locate those resources. The assessment will help inform the process by which those choices are made.

The Mission is developing a new Integrated Strategic Plan for FY 2002-2007. As part of that process the Mission is planning to merge its Strategic Objectives (SOs) in the areas of economic growth and environment. This is in large measure a response to Uganda's stated goal of eradicating poverty. Since Uganda is (and for the foreseeable future will continue to be) primarily an agriculturally-based economy with large number of subsistence farmers, any efforts to raise per capita income must engage that target population. And at that local level the twin issues of productivity and environmental sustainability are joined, providing a strong rationale for the proposal to merge two different but closely related SOs. Doing so would enable the Mission to better address overlapping concerns about the sustainable use of natural resources that are manifestly evident at the grassroots levels of society. It would also mirror the efforts of Government to devolve authority to District levels and below, where the organizational differences between economic growth/agriculture and the environment are largely cosmetic.

II. Results of the Assessment

The Chemonics/BIOFOR team has been working closely with the proposed USAID/Uganda SO7 team and with the guidance of Mission management to develop four related information packages. Each of the packages will hopefully provide the Mission with useful insights into the process of deciding 'why, what and where' the next generation of USAID investments should take place. "How and when" are subjects the Mission will need to wrestle with at the next stage of program development.

The packages consist of the following: (1) overviews of seven critical trends that either impact on or are the result of the way land is used (or misused); (2) a strategic framework for helping the Mission to decide among potential SO7 interventions, including a discussion of data gaps; (3) a method of choosing among geographic areas to make investments that uses selective criteria; and (4) a discussion of four strategic policy issues that need to be considered prior to developing new initiatives.

A. Critical Trends

The first of the information packages includes brief overviews of seven areas of concern regarding Uganda's sustainable use of natural resources, including related factors that impact on land use. These were winnowed from a broader list of concerns arrived at during our work in compiling information on land use. They include the following: population, poverty, declining agricultural productivity, deforestation, loss of biodiversity and agro-biodiversity, deterioration of wetlands and fisheries, and land tenure. The individual discussions seek to highlight the reasons for our concern and the trends that have already emerged or will become more evident over the near term.

Next, a review of the Ugandan policy environment highlights key pieces of legislation and policy that shape the context for Government's objective of eradicating poverty. We assess the most significant of these to the

Poverty Eradication Action Plan (PEAP), the Plan for Modernisation of Agriculture (PMA) and the Local Governments Act. This is followed by a matrix indicating where Uganda's donor partners are focusing their resources and energies as well as insights we obtained in discussions with several donors.

B. A Decision-Making Framework for Investment Choices

The second information package suggest and approach and a framework for making decisions among potential choices. The approach proposes a unifying theme for SO7's portfolio – the sustainable use of natural resources. It presents the theme against the backdrop of a Problems/Solutions Cycle, with a suggested emphasis on focusing investments in changing land use practices. This point of intervention in the complex system of production encompasses consideration of environment, natural resources, economic growth and technology transfer issues.

The subsequent framework seeks to make explicit a decision-making process that is generally implicit. Its objective is to get agreement upon a common set of openly agreed upon criteria that will be used in a structured evaluation of new program proposals. The screening process passes each potential investment opportunity through an increasingly stringent analysis of options, designed to inform decision-makers about the strategic implications of their choices. Although no structure can accurately encompass the range of factors that makes up decision making with the Mission, the approach outlined here can be a useful framework to guide discussion and debate. The expected outcome would be a mix of interventions at the SO7 program level whose sum total represents a portfolio that is balanced and fully congruent with Ugandan priorities and USAID policy directives.

This is followed by a discussion of data. Misgivings about the accuracy and reliability of important data sets constrain our confidence in many of the numbers that we present. Where numbers are unavailable or obviously inaccurate, we discuss the reasoning behind our analysis and the rationale for our assumptions about why existing problem areas will worsen or deteriorate. This was included in the individual critical trends sections (Section II.A) as well as in a separate discussion of data gaps and suggestions for important additions to the database. The role of IFPRI is also discussed.

C. Criteria Based Selection of Investment Options

The third information package consists of a methodology for making investment decisions that highlights specific criteria used to define, compare and rank different geographic areas (districts and clusters of districts) in Uganda. Although any number of criteria could be considered, the Mission suggested an initial three that it asked we focus on – first, potential increases in agricultural productivity; second, population pressure on selected natural resources; and third, the incidence of poverty.

These three criteria were overlaid on the sample universe, first individually and then interactively, to arrive at three 'district clusters' that share certain similarities and characteristics where the Mission might consider making investments. These district clusters were then passed through or 'qualitative filtering system' (Filter #1, the coarse filter). The results should generate the sort of structured discussion about choices that the Mission desires.

The limitations of this methodology are discussed, including the likelihood that many other factors would or should be considered. However, it does illustrate how a measure of objective robustness can be introduced into the decision-making process.

D. Strategic Level Policy Issues

The fourth and final information package presents a discussion of four strategic policy issues that we believe need to be taken into consideration in USAID's development of any new initiatives for Uganda. Possibly the two most critical of these are (1) the proliferation of GOU priorities and the financial and human resource implications that this represents, and (2) the policy and implementation opportunities and issues accompanying the devolution of power, responsibility and resources to District and below levels of government. The need to focus on capacity building to realize the full benefits of decentralization becomes very evident.

5 REGIONAL TRADE

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA

TRADE POLICY

The Common Market for Eastern and Southern Africa (COMESA) Free Trade Area[1] was launched on October 31, 2000. Nine out of the twenty[2] member states agreed to a zero internal tariff. This marked the realization of one of the major goals of the regional integration effort that started in December 1981 with the signing of the Preferential Trade Area (PTA) Treaty. COMESA replaced the PTA in 1994 and now has the most advanced trade regime in Africa. It became the first free trade area (FTA) on the continent.

The major goals of COMESA are to achieve:

- an integrated trading environment in which goods and services move freely across boundaries of member states;
- an integrated investment environment with uniform regulations, including for financial markets, to facilitate savings and investment;
- an integrated labor market with free movement of labor including the right of establishment and residence and a common passport for residents of COMESA;
- an integrated institutional and policy framework embracing the entire integration agenda – trade, investment, agriculture, science and technology, justice, peace, security; and
- a secure social and political environment.

COMESA emphasizes the formation of a large economic and trading unit that is capable of overcoming some of the barriers faced by individual states. It is intended that the COMESA Customs Union will achieve this. The first step toward a COMESA Customs Union was achieved in October 2000 when nine[3] members agreed to a zero internal tariff, thus effectively forming an FTA among them. Seychelles is expected to join in June 2001. These nine countries now apply the principle of reciprocity. This means that a country A applies a tariff rate on imports from country B equal to the rate imposed on similar goods exported by A to B. Once Seychelles joins, it is hoped that these ten countries will constitute a critical mass for regional integration. COMESA has also reached an agreement to implement a Common External Tariff (CET) by the year 2004, although no agreement has been reached on the rate of the CET to be applied.

The tremendous growth in intra-COMESA trade over the past decade indicates the trade potential within the region. Exports to regional partners almost tripled from US$ 812 million in 1991 to US$2.1 billion in 1998.[4] This growth is attributed to two factors:

- most COMESA member states have implemented major unilateral reforms under Structural Adjustment Programs, resulting in liberal policies that favor trade; and
- COMESA tariff reduction and trade facilitation has enabled countries to identify trade opportunities within the region.

One problem is that only three countries – Kenya, Zambia and Zimbabwe – dominate regional trade, with their combined share of intra-COMESA exports increasing marginally from 68% in 1991 to 70% in 1998. Uganda's share of this trade stood at barely 1 percent in 1998. Countries whose share of trade is declining may see this trend as unfavorable to them, thereby limiting their enthusiasm for reaching a final agreement.

Implications for Uganda

As was required under the COMESA trade regime, Uganda had reduced its intra-regional tariff by 80% of the published tariffs in 1996 from the base of 1993, and was one of the five first countries to achieve this target. The fear of loss of revenue has quite slowed the tariff reduction process in the country, but Uganda has declared its commitment to a zero tariff on intra-regional trade. Indeed, Uganda has already demonstrated its commitment to the promotion of trade and investment in the region more broadly, having implemented a wide array of liberal policies intended to promote trade. These include monetary and fiscal reforms that are already in line with COMESA objectives. Uganda has also opened up both the current and capital accounts ahead of its partners, and has one of the lowest maximum external tariffs for final consumer goods, at 15%. This has put Uganda far ahead of most of its regional partners in COMESA. Thus, Uganda faces a significant challenge as negotiations for final implementation of the COMESA FTA and Customs Union proceed: either Uganda will succeed in raising the policy standards of its COMESA partners, or risk being pulled back down to their (lower) standards.

Table 1: Uganda's Trade with COMESA countries (US$ millions)

	1996	1997	1998
Exports to COMESA	17	15	12
Imports from COMESA	238	262	357
Total COMESA Trade	255	277	369
Uganda's COMESA trade/ its Total Trade (%)	13%	15%	19%

Source: COMESA and Direction of Trade Statistics, March 2000, IMF.

The biggest disappointment for Uganda is that it has not yet benefited from regional trade. Uganda's exports to COMESA countries have remained below US$18 million and declining since 1995. On the other hand, Uganda imports goods in excess of US$300 million from the region. Since overall benefits to the country are expected to emanate from trade, then Uganda has to work hard at it. If Uganda is to take advantage of the COMESA FTA, it must position itself in a manner that would allow it to do so. This will require Uganda to:

- identify and support sectors (products) in which it has a regional and international comparative advantage;
- work to reduce the high costs of production associated with poor infrastructure, corruption, institutional weaknesses and high interest rates;
- train domestic firms on how to deal with complex and competitive international markets, including market identification and rules involved in international business; and
- develop transport and communication links that would allow easy movement of goods between countries.

The benefits that will accrue to Uganda from full membership in the COMESA FTA are expected to derive from greater resource allocation efficiency and an expanded market that will follow market integration. However, Uganda will have to deal with the short-term costs associated with joining the FTA. If Uganda decides to join, it will lose revenue from duties on regional trade. This will necessitate identifying new sources of revenue, or short term budgetary cuts to maintain fiscal balance.

One outstanding issue for Uganda is its involvement in a number of regional groupings with similar programs. Uganda is not only a member of COMESA, but also is a member of East African Community (EAC), Inter Government Authority on Drought and Development (IGAD), and has agreed in principle to join Southern Africa Development Community (SADC). This multiple membership creates problems when implementing agreed upon programs, including making membership contributions. This has become even more complicated with Tanzania's departure from COMESA, which has close cooperation with Uganda under EAC. It means that the three EAC countries will face pressure to develop a trade regime on a separate track from the COMESA one. Under the circumstances, Uganda has to decide on which arrangement to put greater emphasis.

TRADE POLICY

Introduction

As in many regional integration arrangements, the main thrust of the Common Market for Eastern and Southern Africa (COMESA) has been on promotion of trade and investment to enhance the economic growth and improve the welfare of the peoples of the member countries. In fact, COMESA has concentrated on tariff reform as the main vehicle for achieving regional integration. Most of the other cooperation arrangements and policies adopted have been geared toward achieving these objectives, and have evolved as needs arise. Expansion in trade requires consistent and rational macroeconomic policies across member countries. But any significant and sustainable increase in trade volumes can only take place with supporting infrastructure, especially transport and communication. Financing investment and trade plus an efficient payments system are key tenets of an integration effort.

Free movement of persons is an essential component of any free trade agreement (FTA) if countries wish to ensure equitable distribution of benefits. It is therefore necessary that progress in the implementation of FTA be matched with processes that would allow freer movement of individuals to allow workers to their highest return to their labor among COMESA countries. While great progress has been achieved over the past decade in liberalizing the goods, and to a lesser extent the capital markets, labor markets still remain largely closed. This is not sustainable and requires urgent attention. There has so far been more talk in this area than tangible results. The protocol on the free movement of persons and labor has not been ratified by COMESA member states.

Macroeconomic policy

The importance of consistent macroeconomic policy in encouraging trade and investment cannot be over emphasized. Basically similar national policies provide a “level playing field” for producers and other actors in the concerned economies. If, for example, a manufacturer has to pay VAT and duty on his inputs, his exports will not be competitive in the regional market. Or if electricity tariffs are pegged at above market prices in one country and at market prices in another, producers in the former country will lose market share to producers in the other.

The good news is that most countries in the COMESA region have unilaterally implemented far-reaching economic reforms geared toward a market-based environment. The speed of implementation has differed from country to country, but the general direction has been the same. The general approach has been to let individual countries take charge of their reform agenda. COMESA’s role has been to monitor progress made on policy implementation at the national level, and to assist national bodies in the process, rather than trying to impose these decisions on member states and policing their implementation.

As far as broad macroeconomic policy is concerned, there now seems to be no major problems hindering trade in most of the countries. Two things remain to be done, one by the private sector, the other by governments: the private sector needs to take advantage of the liberal environment in order to capture regional markets and expand production, and at the national level, governments need to introduce national competition policy (coordinated at a regional level) to provide a level ground for the private actors. For those countries where the private sector is still weak or that are transiting into market-based enterprises, national government should encourage training and improve labor productivity.

Infrastructure

If the region is to attract sufficient levels of both domestic and foreign investment, and to expand trade and create employment, it needs to develop its infrastructure, especially the transport, energy and telecommunications infrastructure needed to service productive investments by the private sector. The biggest infrastructure-related problem in many COMESA countries is the combination of big land size and low population density. This means that although infrastructure is needed, demand is insufficient to permit an adequate financial return on the investment. This is particularly true for surface transport systems. This means that investment in these services will largely depend on the public sector for some time to come.

The region is also handicapped by the fact that many of its countries are landlocked and the sheer distances do not only complicate the distance to seaports but also require negotiating a number of international borders. This means that transport and freight costs are high and will probably remain so at least over the medium term. High transport costs are a key factor constraining COMESA countries' competitiveness and comparative advantage.

COMESA countries should work toward agreeing on other approaches to infrastructure development, approaches that take advantage of the skills and efficiency of the private sector, such as Build-Own-Operate (BOO) or Build-Operate-Transfer (BOT) investment mechanisms. COMESA's success in attracting investment into the telecommunications (COMTEL) and air traffic control (CNS/ATM) sectors could be tried in other sectors, especially power. In these instances, the role of COMESA is to identify priority area, then allow the private sector to fully own and manage the systems once they have been established.

COMESA Financial Institutions

COMESA has put in place a number of financial institutions to assist member countries in their efforts to attain higher levels of investment, trade and economic growth. The PTA Bank (the acronym stands for Preferential Trade Agreement Bank; it is the regional bank for COMESA countries), established in 1985, has been able to finance regional projects worth about US$600 million. While the bank has made profits most years, limited capitalization levels (and poor management) have hampered its continued efficient operation. It is now being reorganized in terms of management and financing to make it more efficient.

The COMESA Clearing House, initially established to provide a regional payment system, became less useful when member states adopted liberal policies. Payments can now be made efficiently using commercial banks. The clearing house has now taken on a new role. Working with the World Bank, it has established a political risk guarantee scheme intended to reduce the political risk normally associated with trade transactions in the region. The intention is that this guarantee scheme be run as a private business. Although the promoters have strong faith in the scheme, other analysts consider poor infrastructure, remaining non-tariff barriers to trade, and fragile private sectors as more important constraints to faster trade growth.

Environment

Because of the major focus on trade, COMESA has not put in place any arrangement to address the harmonization of environmental regulations. The environment is not mentioned in the COMESA Treaty and has not featured in the programs of the regional body. This is a major omission that the countries need to take up seriously.

Implications for Uganda

Uganda has been a major actor in the COMESA since its inception. It has been at the forefront of the economic reforms and supported the institutions of COMESA. Uganda now needs to emphasize creating local capacity to compete in the regional markets. In particular, Uganda needs a strong private sector to do this. The reforms identified in the Medium Term Competitive Strategy (MTCS) for the private sector hold the keys to success in this regard.

In addition, Uganda must take into account its landlocked status when choosing products in which it can compete in the regional and international markets. Given the seeming difficulty of profitable private sector rail transport for the region, to say nothing of the difficulty of getting neighboring countries to effectively integrate their rail networks, this implies that a focus on air transport would be a top priority for Uganda's regional integration objectives.

EAST AFRICAN COMMUNITY

TRADE POLICY

Introduction

The East African Community (EAC), comprised of Kenya, Uganda and Tanzania, was officially launched anew on January15, 2001 in Arusha Tanzania. Rwanda and Burundi attended as observers and expressed an interest in joining the regional block at some stage. The EAC Treaty signed on November 30, 1999 came into force on July 7, 2000 after all three partners ratified it. The official launching marks the culmination of a process that started back in 1993, and has brought into closer focus the activities of the EAC, especially by the business community who want to take a strategic view of the East African market as a whole.

The EAC aims at widening and deepening cooperation among the Partner States through policies and programs in political, economic, social and cultural fields, research and technology, defense, security, legal and judicial affairs for their mutual benefit. In the economic sphere, the EAC will focus on regional integration of trade and investment policy, monetary and fiscal policy, and labor and capital markets. To achieve these goals, the plan is to establish a Customs Union as the entry point to the Community, a Common Market[5], subsequently a Monetary Union, and ultimately a political Federation of the East African States.

The trade policy agenda of the EAC aims at turning the three partner countries into a single investment and trade area, in order to increase the volume of trade among them and with the rest of the world. The ultimate goal is to promote rapid economic growth and development, generate employment and uplift the standard of living of the East African people. Eventually, goods, labor, and capital will move freely among the three countries.

Trade in East Africa

The volume of trade between EAC countries is still small; taken together, intra-regional trade accounts for only 10% of total trade. The only significant flow of goods is between Kenya and Uganda, the former exporting 15% of its goods (mainly finished consumer goods) to the latter. In 1998, Uganda's exports to Kenya and Tanzania were US$8.2 million and US$2 million respectively. Imports were US$349 million from Kenya and US$7.2 from Tanzania.

The key factors contribute to the low volume of intra-regional trade in the EAC:

- The three countries produce similar goods (especially primary agricultural goods); e.g. coffee, tea, cotton and fish. This calls for a strategy to produce higher-quality goods that are not only competitive within the region, but also on world markets. A regional effort to increase competitiveness in world markets is more likely to succeed than promoting each country individually.
- Physical and institutional non-trade barriers limit trade. A 2000 survey by Technoserve Inc. identified a number of non-tariff barriers (NTBs) limiting trade within the EAC and concluded that removing them is more important to increasing regional trade than the removal of tariffs. This implies that the EAC should place special emphasis on the abolition of these NTBs.

Table 1: East African Community at a glance

	Kenya	Uganda	Tanzania	**Total**
Population (million)	29.3	20.9	32.1	**82.3**
GNP (US$ billion)	10.2	6.6	7.2	**24**
GNP per capita (US $)	350	310	220	**292**
Total trade (US$ million)	5715	1320	2159	**9194**
Total trade with EAC (US$ million)	**453**	**366**	**142**	**961**
FDI (US$ million)	11	200	172	**383**

Source: World Development Indicators 2000, World Bank. (Figures for 1998)
IMF 2000, Direction of Trade Year Book.

Regional Trade Reforms

The three East African states have been operating under the COMESA trade regime that emphasized a phased tariff reduction program to reach a Free Trade Area (FTA). In October 2000, when the COMESA FTA was launched, Kenya along with eight other COMESA countries (out of the total of 20) reduced their tariffs to zero on imports from other COMESA countries. Under the same program Uganda and Tanzania[6] have so far reduced their tariffs by 80% but have delayed moving to a zero rate for two reasons.

- Both countries are fearful of revenue implications of such a move.
- But also and more importantly, both are also worried that the more industrially developed Kenya would put great pressure on domestic producers in Tanzania and Uganda, leading to the collapse of many of them.
- Another issue that should concern them is the risk that a high common external tariff could end up causing significant trade diversion, in particular of lower priced Kenyan goods replacing higher-quality but now higher-priced imports from developed countries.

Under the new EAC Treaty, the three partner states have given themselves up to 2004 to establish a Customs Union as a first step to greater economic integration (Article 75 (7)). The partners expect to complete a draft Customs Union Protocol by the end of 2001. Implementation of this Protocol will reduce the internal tariff to 0% and put in place a Common External Tariff (CET). The Treaty also requires partner states to remove all existing non-tariff barriers on the importation of goods originating from other partner states, and thereafter to refrain from introducing any further non-tariff barriers. Success will, however, depend on the level of commitment the three partners can sustain, in the face of some domestic opposition.

While tariffs remain in place, some progress was achieved toward a Customs Union in the EAC. At a meeting in Nairobi (January 29-31, 2001) the ministers responsible for trade in the three countries agreed to the removal of all suspended duties (duties that can be imposed by a minister without recourse to Parliament) on any good genuinely produced in East Africa. Tanzania immediately agreed to remove suspended taxes on Firestone tires from Kenya, and both Uganda and Kenya agreed to remove taxes on milk products from the region. The ministers also decided that trade in agricultural food products should be liberalized and set free from any controls, except for sanitary and phyto-sanitary requirements. This took decision was implemented immediately and Uganda can now exports such products to Kenya or Tanzania without limitations and vise versa. Tariffs on regional trade will be held at levels as agreed in the COMESA trade regime. But because Uganda and Tanzania have not reached the 100% tariff reduction, Kenya will also maintain tariffs for trade within EAC at 80% (same level as charged by Uganda and Tanzania) reduction level despite having reduced its tariffs to zero under the COMESA FTA. Negotiations on the Common External Tariff (CET) are also progressing, but analysts say that agreement is not expected soon. Whereas Kenya and Tanzania advocate a maximum CET of 25%, Uganda wants a maximum level of 15%, Uganda’s current top tariff rate on non-EAC imports.

Other plans to achieve free trade within the EAC include the following:

- Creation of a Single Bill of Entry document.
- Harmonization of duty drawback and other export promotion schemes.
- Standardization of trade documentation and procedures.
- Harmonization of exemption regimes.
- Strengthening of the East African business council.
- Having a common transit bond form.

Implications of EAC Reforms for Uganda

Simplified procedures and lower tariffs will make it easier for Ugandan exporters to reach regional markets. These, however, are likely to be medium- to longer-term benefits. The immediate implications for Uganda will be revenue loss on regional trade. Studies conducted on the FTA in the COMESA region indicate that Uganda could experience a direct loss of up to 5%

of total revenue[7] as a result of joining a regional FTA. Increased regional trade as a result of tariff reduction is expected to spur production and widen the tax base. This with lower levels of smuggling could partially compensate for the loss.

Ugandan manufacturers are also worried that FTA would lead to immediate collapse of a number of industries. The threat to local industries comes from Kenya where costs of production are said to be 10-30% lower than for Ugandan industries.[8] Major constraints faced by Ugandan manufacturers include:

- An unreliable power supply, requiring expensive investment in alternative sources in case of load shedding.
- High taxes on petroleum products.
- High transport costs for raw materials, Uganda being a landlocked country.
- An inefficient and corrupt revenue agency (the Uganda Revenue Authority).

Tariffs, therefore, protect certain industries in the country. As Uganda pursues the longer-term benefits of resource allocation efficiency that come from integration, it must move quickly to address those factors that hinder competitiveness of Uganda's manufactures. A gradual reduction of tariffs as suggested by the World Bank study needs to be followed. A four-year time frame as agreed by the EAC trade ministers should provide an adequate adjustment period.

In addition, Uganda must strongly urge Tanzania to consider rejoining COMESA. Tanzania's membership in SADC is likely to cripple Trade negotiations in the EAC because of the complications of administering two different Common External Tariffs. And because of the importance of trade in regional integration, other areas of cooperation are likely to suffer major set backs as long as Tanzania remains out of COMESA.

NON-TRADE POLICY

The EAC Treaty signed in November 1999 and launched in January 2001 provides for the three partner states (Kenya, Uganda and Tanzania) to cooperate in areas of trade, finance, tax, environment and infrastructure, among other things, for the mutual benefit of the three states. The goal is to harmonize policies in the EAC and form a single uniform block that facilitates rapid growth in trade among its partners and that can be marketed as a single entity for trade and investment purposes. In a separate piece, we looked at EAC trade policy, the major thrust of which is to create an East African Customs Union by 2004. This analysis looks at the remaining aspects of EAC cooperation. The three areas where significant progress has been made are monetary and financial policy, fiscal policy and taxation, and capital markets development. Some progress has also been achieved in the area of environment protection.

Monetary and financial policy coordination

The EAC Treaty obliges the partner states to co-operate in monetary and financial matters in order to establish and maintain macroeconomic stability within the community. Such policy harmonization in the region is key to encouraging trade expansion and growth. Discussions in this area are progressing much faster than with regard to trade policy where some hard issues still must be resolved. The three partner states agreed to have a market determined exchange rate regime where central bank intervention is used only for purposes of market stabilization. Uganda and Kenya have opened up their current and capital accounts and Tanzania is being encouraged to do so. The states are cooperating to harmonize laws on money laundering and regulations to ensure proper auditing of commercial banks. The three countries have market determined interest rates, except that Kenya recently tabled a bill to Parliament intending to put a ceiling on commercial bank lending rates, hoping this will encourage investment. This kind of policy reversal needs to be resisted by the partner states. So far Ugandan and Tanzanian authorities have reaffirmed their commitment to pro-market reforms undertaken in the past, and have resisted calls to institute ceilings on interest rates or adopt any form of directed credit.

Table 1: EAC Macroeconomic Convergence Targets and Performance, FY 1999/2000.

	Target	Kenya	Uganda	Tanzania
GDP Growth rate (%)	7	-0.3	5.1	4.9
Inflation (annual average %)	5	5.9	6.3	6.7
Fiscal deficit (% of GDP)	5	0.4	5.9	6.8
Reserves (Mths of goods & NFS)	6	2.9	4.4	4.9
Current account deficit (% GDP)	5	1.6	9.3	9.1

Source: EAC Secretariat, Central Bank of Kenya, Bank of Uganda, and Bank of Tanzania.

The objective of monetary cooperation is to have an East African Single Currency in place by 2010. Whether this will be achieved will depend on how fast the three countries move toward macroeconomic convergence. So far this seems a daunting task, making the 2010 target quite ambitious. The Monetary Affairs Technical Committee of the EAC developed macroeconomic convergence targets that are yet to be realized (see table above). The Committee will soon review the appropriateness of these targets and make recommendations for modifying them if necessary.

Failure to implement or inadequate follow up with regard to decisions made at the committee level is one of the major problems slowing progress so far. This problem has two aspects: either the program goals and targets are unrealistic or the partner governments lack the political will to implement them. In order to overcome these problems, the Monetary Affairs Committee has proposed a Monetary Institute of the EAC to champion the design of monetary programs and ensure that set targets are achievable, and also to follow up on the implementation of programs by the partner states.

Capital Markets

One of the major benefits expected from financial cooperation is in the area of capital markets development. Because of the small and limited absorptive capacity of individual bourses of the East African states, many analysts believe that a more viable option for the development of capital markets in East Africa is to facilitate and encourage cross listing of shares on a regional securities exchange. Specifically, regionalism would enable companies in Kenya, Uganda and Tanzania to diversify their funding sources through a wider investor base, increasing their investment ability. Savers would also benefit from a variety of investment opportunities that would be availed. The EAC provides a great opportunity for the formation of a regional securities exchange for two reasons:

- The EAC Treaty (Article 80) recognizes the East African Securities Regulatory Authority (EASRA). EASRA is tasked with the coordination and integration of capital markets among the partner states and is keen to develop an East African Securities Exchange, aware of the benefits that would result from it as cited above.
- The harmonized fiscal, monetary and investment policies in the three partner states provide a sound enabling environment for a regional securities exchange.

The recent approval by the Capital Markets Authority (CMA) in Uganda to allow East African Breweries to cross list on the Uganda Securities Exchange, in addition to its initial listing on the Kenya Stock Exchange, is a very promising move.

Cooperation in Taxation

Cooperation in fiscal policy and taxation is another of the areas expected to boost regional trade through policy harmonization. The three EAC member states' ministries responsible for finance have agreed to consult each year before the budgets of the three countries are announced. This has not yielded much in terms of harmonized tax rates, but in general macroeconomic policies have been moving in the same direction: toward a market based, private sector led enabling environment. Tax rates remain generally higher in Kenya and Tanzania, although Uganda's tax on oil imports remains the highest in the region, thus encouraging smuggling across the common borders. VAT rates vary among the three countries, with Tanzania having the highest at 20% and Uganda the lowest at 17%. In order to encourage cross boarder investments, the three countries have gazetted the Tripartite Agreement on the Avoidance of Double Taxation. The actual benefits of this in terms of increases in cross border investments are yet to be evaluated.

Infrastructure

Poor infrastructure, especially poor transport links within the region, is believed to be a major hindrance to trade expansion among the three countries. Railway links that join these countries are extremely inefficient, yet most of the produce from these countries is bulky and requires relatively cheap transport to remain competitive in regional as well as world markets. The three partner states have drawn up a tripartite Road Agreement but it is yet to be ratified. Cooperation arrangements in other sectors of infrastructure are generally lagging behind the overall integration agenda. For instance, studies for an EAC Master Power Plan are yet to be commissioned, while recommendations for an Industrial Development Strategy have not been adopted.

Implications for Uganda

Uganda is ahead of the other two countries in terms of macroeconomic reform, serving as a good example to her neighbors. But EAC integration will benefit Uganda, particularly in the area of capital markets. Uganda's bourse remains narrow, but cross listing will bring in a number of actors, providing opportunities for investors and savers. This will enable the Uganda Securities Exchange to mature faster than it otherwise would have.

Ugandan firms also stand to benefit if the coordination on tax rates leads to lower petroleum taxes. This would reduce the production cost in Uganda, thereby improving Uganda's competitiveness in the region and beyond.

Uganda must be careful to avoid policy reversal at home in light of some of the policies being proposed by other partner states of the EAC. For example, Kenya has proposed a bill to put a ceiling on lending interest rates by commercial banks. If this is actually put into effect, it will reverse one of the major reforms undertaken in the recent past. Uganda and Tanzania must guard against the possible contagion effects that might be transmitted to them through the EAC.

[1] *COMESA primarily deals with trade issues, (the subject of this paper) but also contains provisions for other aspects of economic integration that will be addressed in a separate paper.*

[2] *Tanzania withdrew from COMESA in 2000 reducing the number of members from 21.*

[3] *The nine members in Africa's first FTA are Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe.*

[4] *Figures are from Direction of Trade Statistics, IMF and Selected statistics on African countries and compiled by the COMESA Secretariat.*

[5] *The difference between a Customs Union and a Common Market is that the former allows free movement of goods within the region with a common external tariff, while the later goes further and encompasses free movement of labor and capital.*

[6] *Tanzania left COMESA and opted for SADC in 2000, but it is committed to maintaining reforms achieved while still under COMESA, ie 80% tariff reduction.*

[7] *COMESA Report on the Revenue Implications of the elimination of intra-COMESA tariffs on trade (March 2000) put the figure for the whole region at 1.6% of total revenue. This figure is not likely to vary much for EAC because the only significant trade between Uganda and any regional partner is with Kenya. A 1999 IMF study on the same subject put the figure in the 1-2% range. An earlier study by International Development Consultants (IDC) estimated this to be about 5.2% of the 1994/95 revenues. Only the World Bank study (1999) warned of bigger implications (6.2% or more depending on the level of tariff reduction).*

[8] *EPADU/USAID Study on Protection of given industries (1993).*

DEMOGRAPHIC AND HEALTH SURVEY

6

PRELIMINARY REPORT

This report summarises the findings of the 2000-01 Uganda Demographic and Health Survey (UDHS) carried out by the Uganda Bureau of Statistics (UBOS). Macro International Inc. provided technical assistance. The UDHS is part of the world-wide MEASURE/Demographic and Health Survey+ Programme, which is designed to collect data on fertility, family planning, and maternal and child health.

The United States Agency for International Development (USAID) provided most of the funding for the survey. Additional funding was received from UNICEF/Uganda, UNFPA/Uganda and the British Department of International Development (DfID)/Uganda.

Additional information about the Uganda survey may be obtained from Uganda Bureau of Statistics (UBOS), P. O. Box 3, Entebbe, Uganda (Telephone (256-41) 321-925; Fax (265-41) 320-147; e-mail ubos@infocom.co.ug) or ubos_pps@infocom.co.ug).

Additional information about the DHS programme may be obtained by writing to: MEASURE /DHS+, Macro International Inc., 11785 Beltsville Drive, Suite 300, Calverton, MD 20705 (Telephone 301-572-0200; Fax 301-572-0999; e-mail: reports@macroint.com).

Uganda Bureau of Statistics
Entebbe, Uganda

Macro International, Inc.
Calverton, Maryland, USA

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I. INTRODUCTION

The 2000-01 Uganda Demographic and Health Survey (UDHS) was carried out by the Uganda Bureau of Statistics (UBOS) from 28 September 2000 to 3 March 2001. Macro International Inc. provided technical assistance as well as funding to the project through the MEASURE/Demographic and Health Surveys (MEASURE/DHS+) programme, a USAID-funded project providing support and technical assistance in the implementation of population and health surveys in developing countries. Additional funding was received from UNICEF/Uganda, UNFPA/Uganda and the British Department of International Development (DfID) in Uganda. Most of the data collected in the 2000-01 UDHS provide updated estimates of basic demographic and health indicators covered in the 1988-89 UDHS and 1995 UDHS surveys.

This preliminary report presents a first look at selected results of the 2000-01 UDHS. A comprehensive analysis of the data will be published in later this year. While considered provisional, the results presented here are not expected to differ significantly from those presented in the final report.

The 2000-01 UDHS is designed to provide information on population, health and family planning. Specifically, the UDHS collected information on fertility levels, marriage, sexual activity, fertility preferences, awareness and use of family planning methods, breast-feeding practices, nutritional status of mothers and young children, childhood and maternal mortality, maternal and child health, and awareness and behaviour regarding AIDS and other sexually transmitted infections in Uganda.

A systematically selected group of women who are between 15 and 49 years of age and men age 15-54 were interviewed. Women were asked questions about their background, the children they had given birth to, their knowledge and use of family planning methods, the health of their children, reproductive health, and other information which will be helpful to policymakers and administrators in the health and family planning fields. Many of these questions were also asked to men.

II. SURVEY IMPLEMENTATION

A. Questionnaires

Three questionnaires were used for the 2000-01 UDHS: the Household Questionnaire, the Women's Questionnaire and the Men's Questionnaire. The contents of these questionnaires were based on the MEASURE/*DHS*+ Model "B" Questionnaire, which was developed for use in countries with low levels of contraceptive use.

The UBOS in consultation with technical institutions and local organisations modified these questionnaires to reflect relevant issues in population, family planning and other health issues in Uganda. A series of questionnaire design meetings were organised by the Population Secretariat. The Ministry of Finance, Planning and Economic Development, the Ministry of Gender, Labour and Social Development, the National Council for Children, the Department of Population Studies, the Institute of Statistics and Applied Economics, Makerere University, the Makerere Institute for Social Research, UNICEF, UNFPA and Macro International were represented in these meetings. UBOS also held consultations with the Ministry of Health to solicit their inputs in the UDHS questionnaires. These questionnaires were translated from English into the six major language groups, namely Ateso-Karamojong, Luganda, Lugbara, Luo, Runyankole-Rukiga and Runyoro-Rutoro.

The Household Questionnaire was used to list all the usual members and visitors in the selected households. Some basic information was collected on the characteristics of each person listed, including his or her age, sex, education, and relationship to the head of the household. The main purpose of the Household Questionnaire was to identify women and men who were eligible for the individual interview. In addition, the Household Questionnaire collected information on characteristics of the household's dwelling unit, such as the source of water, type of toilet facilities, materials used for the floor of the house, and ownership of various durable goods.

At the request of UNICEF and the International Labour Organisation (ILO), the Household Questionnaire included questions that are designed to assess the extent of child labour. The Household Questionnaire was also used to record height and weight measurements, haemoglobin level and vitamin A seroprevalence of women 15-49 and children under the age of 5. In households selected for the male survey, haemoglobin level of men eligible for individual interview was also recorded.

The Women's Questionnaire was used to collect information from all women age 15-49. These women were asked questions on the following topics:

- Background characteristics (education, residential history, media exposure, etc.)
- Knowledge and use of family planning methods
- Fertility preferences
- Antenatal care and delivery care
- Breastfeeding and infant feeding practices
- Vaccinations and childhood illnesses
- Marriage and sexual activity
- Woman's work and husband's background characteristics
- Infant's and children's feeding practices
- Childhood mortality
- Awareness and behaviour regarding AIDS and other sexually transmitted diseases (STDs)
- Adult mortality including maternal mortality.

The Men's Questionnaire was administered to all men age 15-54 living in every third household in the UDHS sample. The Men's Questionnaire collected much of the same information found in the Women's Questionnaire, but was shorter because it did not contain questions on reproductive history, maternal and child health, nutrition and maternal mortality.

B. Survey Components

As part of the standard DHS survey, in addition to interviews with household, eligible women and men, the 2000-01 UDHS also included selected measurements. They are the height, weight and haemoglobin levels of women 15-49 and children born since January 1995. These measurements are also taken from men age 15-54 in households selected for the men's survey. The haemoglobin level was measured using a HemoCue photometer and microcuvettes. Results of the test were available immediately and reported to the respective respondents.

At the request of USAID/Uganda and the Uganda Ministry of Health, the 2000-01 UDHS included serum retinol testing for vitamin A using dried blood spots on filter paper cards. Blood samples were drawn from the same finger prick used for the haemoglobin test. The test was more complicated logistically than anemia testing since the blood spots must be dried in the field and kept refrigerated once dried until they are analyzed. The analysis of the blood specimens is also technically complex, necessitating that the dried blood spots (DBSs) be shipped to a laboratory in the USA because the capacity and equipment to carry out this analysis was not yet available in Uganda.

Prior to the 2000-01 UDHS, serum retinol testing had never been carried out as part of a DHS survey. This exercise provided an opportunity to test whether it was possible to incorporate this bioassay component in the DHS survey implementation without compromising the data quality.

An arrangement was made with the Uganda Virus Research Institute (UVRI) to store and ship the vitamin A specimens to the United States. The analysis of the blood specimens was conducted at a laboratory in North Carolina. Results of the vitamin A testing are expected to be included in the main survey report scheduled to be released later in 2001.

A special study involving the collection of venous blood samples that is needed for calibrating the results of the DBS analysis is planned for May 2001. The results of the study will provide an assessment of the validity of the analysis using DBSs on filter paper cards in comparison with that based on whole blood samples.

C. Pretest

Pretest training and fieldwork took place from June 14 to July 8, 2000. For this exercise, seven women and seven men were trained, forming seven teams. Each team was assigned to test the questionnaires in one of the seven language groups (including English) to which the questionnaires had been translated. Three nurses were recruited to participate in the anemia testing exercise as health technicians. The pretest fieldwork was conducted over a one-week period (July 10-16, 2000). Each team was assigned to carry out a total of 75 interviews (household, women and men), resulting in a total of approximately 525 interviews.

The decision to include vitamin A testing was made rather late in the survey design process. As a result, Macro and UBOS staff organized a special pretest of the vitamin A testing procedures shortly before the main training for the survey. Although there were some concerns about response rates, the pretest indicated that it was feasible to incorporate the vitamin A testing into the UDHS. Therefore, Macro staff and UBOS staff and consultants proceeded to develop a special set of training materials for the vitamin A testing.

D. Training

A total of 69 persons, 52 women and 17 men, participated in the main survey training. Training began on August 23 and went on until September 16, 2000. The training was conducted following the standard DHS training procedures, including class presentations, mock interviews, and tests. All of the participants were trained using the Women's Questionnaire. Once the materials for the women's interview were completed, the male participants were trained in conducting an interview using the Men's Questionnaire. The training included practice interviews using the questionnaire in English and the participant's local language. All of the interviewers were also trained in taking the height and weight measurements of women and children because they may be called upon to assist the team health technician in performing these tasks.

E. Fieldwork

Eleven interviewing teams carried out data collection for the 2000-01 UDHS. Each team consisted of one team supervisor, one field editor, three to four female interviewers, one or two male interviewers and one driver. Six staff from UBOS coordinated and supervised fieldwork activities. Macro International participated in field supervision for interviews and measurements. Data collection took place over a five-month period, from September 28, 2000 to March 3, 2001.

F. Data Processing

All questionnaires for the UDHS were returned to the UBOS central office in Entebbe for data processing, which consisted of office editing, coding of open-ended questions, data entry, verification and editing computer-identified errors. A team of eight data entry clerks, data editors and two data entry supervisors processed the data. Data entry and editing started on October 19, 2000 using computer package program called ISSA (Integrated System for Survey Analysis) which was specifically designed to process DHS-type survey data.

In January 2001, when it was projected that the data processing pace was not at a par with data collection and the data were urgently needed for various planning exercises, another shift was added to the data processing team. The evening shift comprised 8 people.

G. Sample Design and Implementation

The sampling frame for this survey is the list of enumeration areas (EAs) developed for the 1991 Population Census. In the census frame, the EAs are grouped by parish within a subcounty, by sub-county within a county and by county within a district. A total of 298 EAs, 102 in urban areas and 196 in rural areas were selected. The number of EAs selected in each district was not allocated proportional to their total population; urban areas were over-sampled in order to generate unbiased urban estimates. Then, within each EA, a complete household listing and mapping was conducted in June to September 2000, to provide the basis for the second-stage sampling. For the listing exercise, 12 UBOS field-staff were trained in listing and cartographic methods. Due to security problems in selected areas, the survey was limited to 41 out of the 45 districts in the country. Kasese, Bundibugyo, Gulu and Kitgum were excluded. These districts cover approximately 5 percent of the total population.

The sample for the 2000-01 UDHS is aimed at providing reliable estimates of important characteristics for women 15-49 and men 15-54 in Uganda as a whole (less the excluded districts), urban and rural areas, and each of the four regions in Uganda defined as:

Central: Kalangala, Kampala, Kiboga, Luwero, Masaka, Mpigi, Mubende, Mukono, Ssembabule, Nakasongola and Rakai,

Eastern: Bugiri, Busia, Iganga, Jinja, Kamuli, Kapchorwa, Katakwi, Kumi, Mbale, Pallisa, Soroti and Tororo,

Northern: Adjumani, Apac, Arua, Kotido, Lira, Moroto, Moyo and Nebbi

Western: Bushenyi, Hoima, Kabale, Kabarole, Kibaale, Kisoro, Masindi, Mbarara, Ntungamo and Rukungiri.

The sample is also designed to accommodate the need to present selected estimates for eight districts in the USAID-funded Delivery of Improved Services (DISH) project and three districts funded by the CARE project. The DISH districts are grouped in four sub-domains, namely:

Group 1: Mbarara,

Group 2: Masaka and Rakai,

Group 3: Kampala, Luwero and Masindi

Group 4: Jinja and Kamuli

While the CARE districts are grouped as:
Group 5: Kisoro, Kabale and Rukungiri

In each group, a minimum of 500 completed interviews was targeted to allow for unbiased estimates. Consequently, data for Kampala District can be presented separately because it has more than the specified minimum number of completed interviews. The sample is expected to yield a total of 6,800 completed interviews with women and 1,800 interviews with men.

III. RESULTS

A. Response Rates

Table 1 shows response rates for the 2000-01 UDHS. A total of 8,792 households were selected in the sample, of which 8,234 were occupied. The shortfall was largely due to structures that were found to be vacant. Of the 8,234 existing households, 7,885 were successfully interviewed, yielding a household response rate of 96 percent.

In the interviewed households, 7,717 women were identified for individual interview and, of these, completed interviews were conducted with 7,246 women, yielding a response rate of 94 percent. In a sub-sample of households, 2,306 eligible men were identified, of which 1,962 were successfully interviewed, yielding a response rate of 85 percent. The overall response rate for women and men surveys is 90 percent and 82 percent, respectively. The principal reason for non-response among both eligible men and women was the failure to find them at home despite repeated visits to the household. The lower response rate for men was due to the more frequent and longer absence of men from the household. The refusal rate in the 2000-01 UDHS was a little over 1 percent each for women and men. *See Table 1, page*

B. Characteristics of the Respondents

Table 2 shows the distribution of women age 15 to 49 and men age 15 to 54 in the 2000-01 UDHS sample by selected background characteristics. For women, the distribution by age shows a sharp decline in numbers with increasing age. Forty-three percent of women and 39 percent of men are under 25. Seventeen percent of women and men live in urban areas.

While there has been a notable improvement since 1995, education in Uganda is limited; 22 percent of women and 6 percent of men have never attended formal education. The corresponding figures in 1995 were 31 and 12 percent, respectively. In general, men are more likely to attend school and to reach higher levels of education than women; 29 percent of men attended secondary or higher school, compared with 18 percent of women. *See Table 2, page*

The findings presented below are based on individual interviews with eligible women and men found in the selected households.

C. Fertility

All women who were interviewed in the 2000-01 UDHS were asked to report the total number of sons and daughters to whom they had ever given birth in their lifetime. To promote complete reporting of children, women were asked separately about children still living at home, those living elsewhere, and those who had died. A complete birth history was then obtained, including information on the sex, date of birth and survival status of each child and the age at death for dead children.

Age-specific fertility rates for the three-year period before the 2000-01 UDHS are shown in Table 3, along with comparable rates from the 1988-89 UDHS and 1995 UDHS. Age-specific and total fertility rates were calculated directly from the birth history data. The sum of the age-specific fertility rates (known as the total fertility rate, or TFR) is a summary measure of the level of fertility. It can be interpreted as the number of children a woman would have by the end of her childbearing years if she were to pass through those years bearing children at the currently observed age-specific rates. If fertility were to remain constant at current levels, a woman in Uganda would bear an average of 6.9 children in her lifetime. This figure shows that there has not been any decline in fertility since 1995.

Table 3 also shows the mean number of children ever born to women by five-year age group. On average, women have given birth to two children by their early-twenties and to more than 6 children by their late thirties. By the end of their reproductive age, the average Ugandan woman has had over seven children.
See Table 3, page

Figure 1 presents the age-specific fertility rates between the 1995 UDHS and 2000-01 UDHS. The graph shows that there is no significant difference in the rates from the two surveys. *See Figure 1, page*

D. Family Planning

Information on knowledge and use of family planning methods was collected in the survey. Respondents were first asked to mention any methods of family planning of which they had heard. For methods not mentioned spontaneously, the interviewer read a description of the method and asked if the respondent had ever heard of it. Those who had heard of a method were asked whether they had ever used the method. Finally, respondents were asked if they were currently using any family planning method, and if so, which method, and where they last obtained the method. In this report, family planning methods are grouped in two categories: modern methods (female and male sterilisation, the pill, IUD, injectables, implants, condom, female condom, emergency contraception, vaginal methods and lactational amenorrhoea method), and traditional methods (withdrawal, rhythm or periodic abstinence).

Knowledge of Family Planning

Table 4A shows that knowledge of at least one method of contraception among women in Uganda is almost universal. This is true since 1988 (96 percent or higher). Practically all of these women also know of a modern method. For currently married women, the most commonly recognised methods are the pill (94 percent), injectables (93 percent), and condom (88 percent). While other methods are less known, there is a growing knowledge of methods which are available only recently, such as female condom (63 percent) and lactational amenorrhoea (56 percent). With regard to traditional methods, 69 percent of currently married women have heard of at least one method. The most well known method is periodic abstinence (55 percent).

Ever Use of Family Planning

Four in ten currently married women age 15-49 in Uganda have used a method of family planning at some time in their lives (see Table 4A). The majority of these women have used a modern method (83 percent of women who have used a method). Among modern methods, there are four methods which have been most often used by married women. They are injectables (14 percent), the pill (13 percent), lactational amenorrhoea (12 percent) and condom (10 percent).

Current Use of Family Planning

Overall, 23 percent of currently married women (20 percent of all women) reported that they were currently using a method of family planning (Table 4A). Most women use a modern method of contraception (18 percent), while use of traditional methods is limited (5 percent). The most popular among modern methods are injectables (6 percent), lactational amenorrhoea (4 percent) and the pill (3 percent). Two percent of married women have been sterilised and about 2 percent reported using condom.

The contraceptive prevalence rate in Uganda has increased steadily in the last decade, from 5 percent in 1988-89 to 15 percent in 1995 and 23 percent in 2000-01. On average, the prevalence increases at a rate of more than one percentage point every year (see Figure 2). Moreover, use of modern methods has increased faster than overall use, from 3 percent in the 1988-89 UDHS to 8 percent in the 1995 UDHS, and to 18 percent in the 2000-01 UDHS. Use of traditional methods, on the other hand, declined from 7 percent to 5 percent in 1995 and 2000-01, respectively.
See Figure 2, page and Table 4A, page

Table 4B shows the level of knowledge, ever use and current use of family planning among men (and their partners). Practically all men age 15-54 have heard of a method of family planning. Six out of ten men reported having used a method, and one in four are using family planning. While the overall prevalence is the same as that recorded in the 1995 UDHS (25 percent), the use rate for modern methods has increased from 10 percent in 1995 to 17 percent in 2000-01. The dramatic increase can be attributed to wider use of injectables, condom, the pill, male sterilisation and lactational amenorrhea. Use rates are higher for men than for women; this can partly be explained by greater reported use of condom and periodic abstinence by men.
See Table 4B, page

Use of contraception varies by the women's characteristics (see Table 5A). It is interesting to note that contraceptive prevalence is low among women at the youngest and oldest age groups. Among women in the remaining age groups, the rate ranges from 21 to 27 percent. Urban and better-educated women are not only more likely to use contraception, but also tend to use a long-term method (female sterilisation) as well as injectables, the pill and condoms.

There are large differences in levels of contraceptive use by residence. Use is highest in the Central region (37 percent), where the most popular methods include injectables (11 percent) and the pill (7 percent). Among districts included in the DISH project, Kampala shows the highest use of contraception, in particular the pill and injectables (16 percen for each).

Contraceptive use varies by women's level of education. Thirteen percent of currently married women with no formal education are currently using a method, compared with 21 percent of women with some primary education, and 49 percent of those with secondary or higher education. The differentials are similar for modern method use. The most popular method among women with no formal education is lactational amenorrhoea. On the other hand, women with secondary or higher education are more likely to have been sterilised or use injectables and the pill.

The association between contraceptive use and a woman's parity is apparent in Table 5A. As expected, contraceptive use rises with the number of living children.

Traditional methods are popular among older women and women who have had several children. It should be noted that women with higher education are also more likely than women with no education to use traditional methods. *See Table 5A, page*

Table 5B presents the variation in contraceptive use among married men. Overall, the rates for men are similar to those for women. Sub-group differentials among men are similar to those of women's, except in the Northern and Western regions. In these regions, men are much more likely to use traditional methods than in other regions. The percentage of men who reported using a traditional method is also higher than that reported by women.

Figure 3 shows the trends in modern contraceptive use between 1995 and 2000. While pill use remained at the same level, use of injectables doubled, condom and female sterilization increased from 1 percent to 2 percent. In 2000, 4 percent of currently married women reported using lactational amenorrhoea (LAM) as a contraceptive method. *See Table 5B, page and Figure 3, page*

Source of Methods

Women who reported using a modern method of contraception at the time of the survey were asked where they obtained the method the last time. Table 6 and Figure 4 show that public sources account for 34 percent of users. Private medical sources were reported by 45 percent of current users and other private sources account for the remaining 21 percent. Among facilities in the public sector, government hospitals (14 percent) and government health centres are the most common sources for modern contraceptive methods. Private hospitals and clinics account for 80 percent of sources for modern contraceptive methods in the private medical sector. Half of users who use other private sources go to shops to obtain their contraceptive method.

The source of family planning methods varies according to the type of method used. For example, six out of ten women who have been sterilised went to a government hospital for the operation. Almost half of women who are using the pill and injectables go to a private hospital for their method. Most of condom users (40 percent) get their supply from a shop.

SeeTable 6 , page and Figure 4, page

E. Fertility Preferences

Future fertility preferences of currently married respondents were determined by asking whether or not they wanted another child and, if so, how soon. Overall, 38 percent of currently married women in Uganda stated that they want no more children or have been sterilised. More than half of married women would like to have another child, 19 percent want another within two years, 35 percent would prefer to wait two or more years and one percent could not decide on the timing (see Table 7). Thus, currently, 73 percent of married women want either to space their next birth or to end childbearing. This represents the proportion of women who are potentially in need of some method of family planning. Comparison with results of the 1995 UDHS show that there has been an increase in desire to limit births (31 percent in 1995 to 36 percent in 2000-01) and a decline in the wish to have more children (61 percent to 55 percent).

Table 7 shows that the desire to limit childbearing increases rapidly with age, from 2 percent among currently married women age 15-19 years to 65 percent among those age 45-49. The wish to space the next child declines with increasing age, especially after age 30.

Table 7 also shows that men are more likely than women to want more children and less likely to want to stop having children. Two in three men want to have more children. The desire to have children is high even at young ages. *See Table 7, page*

F. Maternity Care

In the 2000-01 UDHS, women who had given birth in the five years preceding the survey were asked a number of questions about maternal and child health care. For the last live birth in that period, the mothers were asked whether they had received tetanus toxoid injections while pregnant and whether they had obtained antenatal care during the pregnancy. For each birth in the same period, the mothers were also asked what type of assistance they received at the time of delivery. Proper care during pregnancy and delivery are important for the health of both the mother and the baby.

Tetanus toxoid injections are given during pregnancy to prevent neonatal tetanus, a major cause of death among infants in many developing countries. Table 8 indicates that mothers received two tetanus toxoid injections during pregnancy for 42 percent of their most recent births. Younger mothers, mothers who live in urban areas and those who live in the Central region are more likely to have received tetanus toxoid injections during pregnancy. Mothers with secondary or higher education and mothers of first births are also more likely to have been given tetanus toxoid injections.

See Table 8

For 90 percent of last births in the five years preceding the survey, a medically trained person provided antenatal care. Antenatal checks are more likely to be provided by a nurse or midwife than by a doctor (81 percent compared to 9 percent) (see Table 8). Coverage of antenatal care is slightly higher in urban areas than in rural areas (96 percent and 90 percent, respectively). However, mothers in urban areas are more likely to have received care from a doctor than those in rural areas. In the Central region, antenatal care from a doctor was much more common than other regions (18 percent compared to 9 percent or lower). Antenatal care increases with mother's education, and is almost universal for women with higher than secondary education (98 percent). Urban women, women with secondary or higher education and who have lower parity are more likely to be assisted by a doctor during antenatal visits.

For 38 percent of all births in the five years before the survey, trained medical personnel assisted the mothers during delivery. Differentials by background characteristics of the mother are similar to that for antenatal care. As with tetanus toxoid coverage and antenatal care, younger women, those with lower parity, urban women and better educated women are more likely than others to receive medically trained assistance during delivery. Babies in the Central region are much more likely to be delivered with medical supervision than in other regions.

G. Vaccination of Children

In the 2000-01 UDHS, mothers were asked to show the interviewer the health cards of all children born since January 1995 where immunisation dates are recorded. The interviewer then copied from the cards the dates of each vaccination received. If a child never received a health card or if the mother was unable to show the card to the interviewer, the mother was asked what vaccinations the child had received. Questions were asked for each vaccine type. A child was considered fully vaccinated if he or she had received a BCG vaccination against tuberculosis; three doses of DPT vaccine to prevent diphtheria, pertussis, and tetanus; at least three doses of polio vaccine; and one dose of measles vaccine. The results presented here are based on both health card information and, for those children without a card, information provided by the mother.

Table 9 pertains to children age 12 to 23 months, the age by which they should have received all vaccinations. Mothers were able to produce health cards for 47 percent of these children. Based on both the health cards and the mothers' reports, 38 percent of children have received all of the recommended vaccinations and 13 percent have not received any vaccinations. The remaining 49 percent of children were partially vaccinated. While 79 percent of children receive BCG, and at least 77 percent receive the first dose of DPT and polio vaccine, only 46 percent complete the DPT doses and only 56 percent receive the third dose of polio (Figure 5). Coverage of vaccination against measles is low (57 percent). Vitamin A was given to 26 percent of children in the 6 months prior to the survey (not shown). *See Table 9*

Slight differentials are noted in vaccination coverage by the gender of the child. However, children in urban areas are more likely than other children to have completed the vaccination schedule. Full immunisation coverage improves with mother's level of education; 29 percent for children whose mother have had no education to 55 percent for children whose mothers have had secondary or higher education.
See Figure 5, page

H. Childhood Diarrhoea

Dehydration from diarrhoea is an important cause of childhood mortality in developing countries. In the 2000-01 UDHS, for each child under five years of age, mothers were asked if the child had experienced an episode of diarrhoea in the two weeks prior to the survey. Mothers were also asked what treatment was given to those children who had diarrhoea. Table 10 shows that one in five children under five were reported to have had diarrhoea in the two weeks before the survey. Diarrhoeal prevalence is highest during age 6-23 months, a period during which solid adult-type foods are being introduced.

The prevalence of diarrhoea is higher among children in rural areas than those in urban areas. The prevalence is also higher in the Eastern and Northern regions. Children of women with no education were reported to experience higher rates of diarrhoea than children whose mother had had some secondary education.
See Table 10, page

One in three children with diarrhoea was treated with a solution prepared from packets of oral rehydration salts (ORS), while 17 percent were treated with a homemade sugar-salt-water solution. Altogether, 43 percent of these children received either ORS or the home fluid.

I. Infant Feeding Practices

Breast milk contains all the nutrients needed by children in the first 6 months of life. Supplementing breast milk before the child is 4 months of age is discouraged because it increases the likelihood of contamination and hence, risks of diarrhoeal disease. At a later stage of the baby's development, breast milk should be supplemented by other liquids and eventually by solid or mushy food to provide adequate nourishment.

The 2000-2001 UDHS collected data on infant feeding for all children born in the five years preceding the survey. As shown in Table 11, most of the mothers surveyed breastfed their children through the first 9 months of life. Among infants 0-3 months old, 74 percent were being exclusively breastfed. Supplementation is early. Among infants under 4 months, breast milk was supplemented with other milk (13 percent), with plain water or other liquids (5 percent), or with solid or mushy food (6 percent). By age 7-9 months, 73 percent of children were being fed solid or mushy food, and eight in ten were being fed with a bottle with a nipple. *See Table 11, page*

J. Infant and Childhood Mortality

Table 12 presents neonatal, postneonatal, infant, child and under-five mortality in Uganda for the three 5-year periods preceding the survey. These periods coincide approximately with 1996-2000, 1991-1995 and 1986-1990. Data in Table 12 show that the infant mortality rate in the past 15 years appears to have remained at about the same level (88 to 91 deaths per 1,000 live births). There is a slight decline in child mortality, which results in declining under-5 mortality from 164 deaths per 1,000 live births in the late 1980s to 152 deaths per 1,000 live births ten years later. *Table 12 , page and Figure 6, page*

Table 1: Household and individual sample results

1. Sample results

Household and individual sample results, Uganda 2000-01

Result	Number	Total
Selected households		
Sampled	8,792	100.0
Completed	7,885	89.7
Household present but no competent respondent at home	267	3.0
Household absent	183	2.1
Refused	63	0.7
Dwelling vacant/no dwelling	324	3.7
Dwelling destroyed	51	0.6
Dwelling not found	16	0.2
Households occupied	8,234	100.0
Interviewed	7,885	95.8
Not interviewed	349	4.2
Eligible women	7,717	100.0
Completed	7,246	93.9
Not at home	250	3.2
Postponed	2	0.0
Refused	90	1. 2
Partly completed	29	0.4
Incapacitated	57	0.7
Other	43	0.6
Overall response rate		89.9
Eligible men	2,306	100.0
Completed	1,962	85.1
Not at home	247	10.7
Postponed	1	0.0
Refused	33	1.4
Partly completed	1	0.0
Incapacitated	24	1.0
Other	38	1.6
Overall response rate		81.5

Table 2. Background characteristics of respondents

Percent distribution of women 15-49 and men 15-54 by background characteristics, Uganda 2000-01

Background characteristic	Women: Weighted percent	Women: Number of women, Weighted	Women: Number of women, Unweighted	Men: Weighted percent	Men: Number of men, Weighted	Men: Number of men, Unweighted
Age						
15-19	22.3	1,615	1,687	22.5	441	440
20-24	20.8	1,504	1,542	16.4	321	337
25-29	18.5	1,341	1,326	15.8	310	315
30-34	13.6	983	955	14.8	291	283
35-39	11.2	810	783	11.8	231	225
40-44	7.9	570	547	8.4	165	166
45-49	5.8	423	406	6.1	120	117
50-54	NA	NA	NA	4.2	83	79
Marital status						
Never married	20.1	1,456	1,603	34.4	675	700
Currently married	67.4	4,881	4,675	60.2	1,180	1,167
Divorced, widowed, separated	12.6	910	968	5.4	107	95
Residence						
Urban	16.7	1,207	2,416	16.6	325	601
Rural	83.3	6,039	4,830	83.4	1,637	1,361
Region						
Central	32.3	2,341	2,445	34.2	671	677
Eastern	27.0	1,956	1,767	26.7	523	466
Northern	16.0	1,158	1,041	14.5	284	273
Western	24.7	1,792	1,993	24.7	484	546
DISH project region	28.7	2,077	2,317	29.7	582	622
Mbarara (I)	5.4	392	446	5.8	115	132
Masaka, Rakai (II)	6.7	486	541	7.5	147	162
Luwero, Masindi (III)	3.3	240	206	3.4	66	53
Kamuli, Jinja (IV)	4.9	356	554	4.3	84	124
Kampala	8.3	604	570	8.7	171	151
CARE districts*	6.5	472	755	5.8	114	188
Non-CARE, non-DISH districts	64.8	4,696	4,174	64.5	1,265	1,152
Education						
No education	21.9	1,584	1,459	6.2	122	118
Primary	59.8	4,330	4,098	64.8	1,272	1,201
Secondary+	18.4	1,331	1,688	28.9	568	643
Missing	0.0	1	1	0.0	0	0
Total	**100.0**	**7,246**	**7,246**	**100.0**	**1,962**	**1,962**

NA = Not applicable, * Kisoro, Kabale, Rukungiri

Table 3. Current fertility rates

Age-specific and cumulative fertility rates for the three years preceding the survey, by residence, Uganda 2000-01

Age group	1988-89 UDHS	1995 UDHS	2000-01 UDHS Mean no. of children ever born	2000-01 Number of women	UDHS
15-19	187	203	178	0.332	1,615
20-24	325	323	332	1.933	1,504
25-29	319	309	298	3.412	1,341
30-34	273	240	259	5.015	983
35-39	224	179	187	6.053	810
40-44	96	89	76	6.932	570
45-49	36	25	40	7.369	423
TFR 15-49	7.3	6.8	6.85	3.439	7,246
TFR 15-44	7.1	6.7	6.65	3.196	6,823

Note: Rates are for the period 1-36 months preceding the survey. Rates for age group 45-49 may be slightly biased due to truncation.
TFR: Total fertility rate, expressed per woman.

Table 4A. Knowledge of methods, ever use and current use of methods: women

Percentage of all women and currently married women knowing of, ever using, and currently using contraceptive methods by contraceptive method, Uganda 2000-01

	Knowledge and use					
	Knows method		Ever used		Currently using	
Contraceptive method	All women	Currently married women	All women	Currently married women	All women	Currently married women
Any method	96.4	97.8	41.0	44.1	20.1	22.8
Any modern method	96.2	97.5	34.9	36.8	16.5	18.2
Female sterilisation	75.7	79.1	1.4	2.0	1.4	2.0
Male sterilisation	36.4	39.3	0.1	0.1	0.0	0.0
Pill	91.9	94.2	11.7	12.8	2.7	3.2
IUD/coil	50.8	52.7	0.9	1.2	0.2	0.2
Injectables	90.5	93.1	12.2	14.2	5.0	6.4
Implants	37.5	40.5	0.3	0.4	0.2	0.3
Condom	87.9	87.9	13.4	10.4	3.8	1.9
Female condom	63.2	62.5	0.1	0.0	0.0	0.0
Diaphragm	15.5	15.1	0.1	0.1	0.0	0.0
Foam or jelly	19.1	20.2	0.5	0.6	0.0	0.0
Lactational amenorrhoea	51.4	55.9	9.8	11.6	3.1	4.2
Emergency contraception	10.3	10.2	0.2	0.2	0.0	0.0
Any traditional method	66.1	68.5	17.1	19.0	3.6	4.6
Rhythm/Periodic abstinence	54.0	54.7	11.0	12.0	2.0	2.5
Withdrawal	39.3	40.9	7.3	8.1	0.8	1.1
Other methods	22.0	24.8	2.4	2.9	0.8	1.0
Number of women	7,246	4,881	7,246	4,881	7,246	4,881

Table 4B. Knowledge of methods, ever use and current use of methods: men

Percentage of all men and currently married men knowing of, ever using, and currently using contraceptive methods by contraceptive method, Uganda 2000-01

	Knowledge and use					
	Knows method		Ever used		Currently using	
Contraceptive method	All men	Currently married men	All men	Currently married men	All men	Currently married men
Any method	**98.4**	**98.9**	**52.2**	**61.6**	**23.9**	**25.1**
Any modern method	**98.1**	**98.7**	**33.0**	**33.8**	**18.4**	**16.6**
Female sterilisation	65.4	71.6	0.0	0.0	0.7	1.1
Male sterilisation	45.4	50.8	0.2	0.3	0.2	0.3
Pill	87.7	91.3	0.0	0.0	2.7	4.2
IUD/coil	34.3	37.9	0.0	0.0	0.1	0.1
Injectables	80.5	85.5	0.0	0.0	3.2	5.1
Implants	21.9	25.9	0.0	0.0	0.0	0.1
Condom	97.0	97.5	32.8	33.4	10.8	4.6
Female condom	71.2	72.4	0.0	0.0	0.0	0.0
Diaphragm	16.1	17.3	0.0	0.0	0.0	0.0
Foam or jelly	16.2	17.2	0.0	0.0	0.0	0.0
Lactational amenorrhoea	33.1	38.0	0.0	0.0	0.6	1.0
Emergency contraception	18.5	22.4	0.0	0.0	0.0	0.0
Any traditional method	**76.5**	**86.1**	**38.5**	**51.8**	**5.4**	**8.2**
Rhythm/Periodic abstinence	70.8	81.3	33.2	45.6	4.0	6.2
Withdrawal	52.7	58.0	17.3	22.3	0.9	1.3
Other methods	8.0	10.1	0.0	0.0	0.5	0.7
Number of men	1,962	1,180	1,962	1,180	1,962	1,180

Table 5A. Current use of contraception by background characteristics: women

Percent distribution of currently married women by contraceptive method currently being used, according to background characteristics, Uganda 2000-01

Background characteristic	Any method	Any modern method	Modern methods: Female sterilisation	Pill	IUD/coil	Injectables	Implants	Condom	Traditional methods: Lactational amenorrhoea method	Any traditional	Periodic abstinence	Withdrawal	Other methods	Not currently using	Total	Number
Age																
15-19	12.0	9.0	0.0	1.3	0.0	2.4	0.0	1.8	3.5	2.9	1.8	0.6	0.4	88.2	100.0	468
20-24	21.0	17.4	0.6	3.8	0.0	6.3	0.3	2.1	4.4	3.7	2.1	1.1	0.5	78.9	100.0	1,154
25-29	24.4	20.2	0.5	3.6	0.2	7.2	0.5	2.8	5.3	4.2	2.6	0.9	0.8	75.5	100.0	1,074
30-34	26.6	20.8	2.0	4.5	0.2	8.1	0.6	1.2	3.9	5.9	3.6	1.1	1.1	73.6	100.0	818
35-39	25.8	21.7	3.6	2.7	0.5	8.0	0.0	1.6	5.1	4.1	1.6	1.6	0.9	74.2	100.0	651
40-44	26.7	19.9	7.1	1.8	0.3	5.8	0.3	2.6	2.0	6.9	3.7	1.4	1.8	73.1	100.0	429
45-49	18.0	12.1	4.8	1.2	0.1	2.4	0.0	0.4	2.4	5.9	1.4	0.9	3.5	82.2	100.0	293
Residence																
Urban	46.1	41.6	3.7	11.4	0.6	15.4	1.6	5.0	3.4	4.7	2.7	1.5	0.6	53.9	100.0	636
Rural	19.3	14.7	1.7	1.9	0.1	5.0	0.1	1.5	4.3	4.6	2.4	1.1	1.1	80.7	100.0	4,250
Region																
Central	37.0	31.4	3.3	7.3	0.4	10.6	0.7	3.9	5.2	5.5	2.1	2.1	1.3	63.1	100.0	1,379
Eastern	14.5	11.2	2.0	1.1	0.1	4.2	0.2	1.7	1.9	3.3	1.7	0.2	1.3	85.4	100.0	1,493
Northern	21.0	15.4	0.5	0.9	0.1	3.9	0.0	0.6	9.5	5.6	5.0	0.2	0.3	78.9	100.0	820
Western	18.0	13.6	1.5	2.5	0.2	6.0	0.2	0.9	2.3	4.4	2.1	1.7	0.6	82.0	100.0	1,195
Education																
No education	13.2	9.4	1.1	1.1	0.0	2.4	0.0	0.8	3.9	3.8	2.2	0.7	0.8	86.7	100.0	1,265
Primary	21.2	16.8	1.7	2.5	0.2	6.0	0.3	1.6	4.5	4.4	2.1	1.2	1.1	78.7	100.0	2,982
Secondary +	49.1	42.2	5.1	10.1	0.3	16.1	0.9	5.9	3.2	6.9	4.4	1.7	0.8	51.3	100.0	638
Number of living children																
None	4.1	3.3	0.9	0.9	0.0	0.3	0.0	1.3	0.0	0.8	0.2	0.3	0.3	95.9	100.0	414
1	18.0	13.7	0.2	3.7	0.0	4.3	0.0	2.6	2.8	4.3	3.1	0.9	0.3	82.0	100.0	734
2	21.0	17.9	0.8	3.6	0.2	7.3	0.3	1.9	3.9	3.0	2.0	0.5	0.6	79.0	100.0	792
3	27.3	21.9	1.2	3.7	0.1	6.8	0.5	2.5	7.2	5.4	2.7	1.9	0.8	72.4	100.0	747
4+	27.0	21.4	3.5	3.0	0.3	7.8	0.4	1.7	4.5	5.6	2.8	1.3	1.6	73.1	100.0	2,201
DISH project region																
All DISH	**28.1**	**23.6**	**2.8**	**5.0**	**0.3**	**7.6**	**0.8**	**2.9**	**4.2**	**4.5**	**2.1**	**1.5**	**0.8**	**71.9**	**100.0**	**1,331**
Mbarara (I)	16.2	9.8	1.6	1.2	0.2	4.0	0.0	1.6	1.2	6.4	2.9	3.0	0.6	83.8	100.0	281
Masaka, Rakai (II)	23.8	18.6	1.6	2.9	0.4	7.8	0.0	2.7	3.7	5.3	2.1	1.6	1.6	75.8	100.0	326
Luwero, Masindi (III)	27.4	22.9	3.3	1.9	0.0	4.0	0.0	1.0	12.7	4.5	3.7	0.8	0.0	72.6	100.0	158
Kamuli, Jinja (IV)	16.8	14.5	5.2	1.0	0.3	3.1	0.6	2.1	2.2	2.2	0.8	0.1	1.3	83.3	100.0	263
Kampala	53.8	50.0	2.8	16.1	0.3	16.4	2.8	5.9	4.9	3.8	1.7	1.7	0.3	46.5	100.0	303
CARE Districts*	**16.8**	**14.3**	**1.7**	**2.8**	**0.1**	**6.2**	**0.7**	**0.2**	**2.6**	**2.6**	**1.0**	**1.0**	**0.6**	**83.2**	**100.0**	**294**
Non-CARE, **non-DISH districts**	**21.1**	**16.4**	**1.7**	**2.4**	**0.1**	**5.9**	**0.1**	**1.7**	**4.3**	**4.8**	**2.7**	**1.0**	**1.1**	**78.8**	**100.0**	**3,261**
Total	**22.8**	**18.2**	**2.0**	**3.1**	**0.2**	**6.4**	**0.3**	**1.9**	**4.2**	**4.6**	**2.5**	**1.1**	**1.0**	**77.2**	**100.0**	**4,887**

*Kisoro, Kabale, Rukungiri

Table 5B. Current use of contraception by background characteristics: men

Percent distribution of currently married men by contraceptive method currently being used, according to background characteristics, Uganda 2000-01

Background characteristic	Any method	Any modern method	Female sterilisation	Male sterilisation	Pill	IUD/coil	Injectables	Implants	Condom	Lactational amenorrhoea method	Any trad. method	periodic abstinence	With-drawal	Other methods	Missing	Not currently using	Total	Number
Age																		
15-19	18.9	9.6	0.0	0.0	0.0	0.0	0.0	0.0	9.6	0.0	5.0	5.0	0.0	0.0	4.2	81.1	100.0	28
20-24	23.4	15.3	0.0	0.0	2.7	0.0	5.3	0.0	7.3	0.0	8.0	5.0	2.3	0.7	0.0	76.6	100.0	139
25-29	26.7	17.8	0.8	0.0	6.5	0.0	4.7	0.0	4.2	1.6	8.9	7.4	1.5	0.0	0.0	73.3	100.0	237
30-34	24.7	15.6	0.0	0.0	3.9	0.5	5.5	0.3	4.4	1.0	8.5	6.8	1.3	0.4	0.6	75.3	100.0	250
35-39	26.5	18.3	0.3	0.0	5.1	0.0	5.4	0.1	5.6	1.7	8.2	6.1	0.8	1.3	0.0	73.5	100.0	203
40-44	26.7	19.3	2.2	0.6	4.0	0.0	6.2	0.0	4.4	1.8	7.5	6.4	0.7	0.3	0.0	73.3	100.0	146
45-49	24.1	14.6	1.3	2.6	2.9	0.0	5.4	0.0	2.5	0.0	8.3	6.0	2.3	0.0	1.1	75.9	100.0	106
50-54	20.8	13.5	8.6	0.0	1.6	0.0	3.4	0.0	0.0	0.0	7.3	3.1	0.0	4.3	0.0	79.2	100.0	72
Residence																		
Urban	46.5	39.9	2.0	0.0	16.2	0.0	8.8	0.2	11.8	0.8	6.6	4.1	2.1	0.3	0.0	53.5	100.0	148
Rural	22.0	13.2	1.0	0.4	2.4	0.1	4.6	0.1	3.6	1.1	8.4	6.5	1.2	0.7	0.4	78.0	100.0	1,032
Region																		
Central	40.6	33.8	2.9	0.7	10.0	0.4	9.2	0.0	8.2	2.3	6.8	3.9	2.6	0.3	0.0	59.4	100.0	322
Eastern	16.1	12.7	0.5	0.0	2.4	0.0	2.7	0.3	6.0	0.8	3.4	1.9	0.4	1.1	0.0	83.9	100.0	344
Northern	16.0	4.3	0.1	0.0	0.5	0.0	2.9	0.0	0.2	0.5	10.5	9.5	0.0	1.0	1.1	84.0	100.0	209
Western	25.1	11.2	0.6	0.4	2.4	0.0	5.0	0.0	2.2	0.4	13.5	11.3	1.8	0.4	0.5	74.9	100.0	305
Education																		
No education	12.5	5.7	1.0	0.0	1.5	0.0	0.3	0.0	3.0	0.0	6.7	6.7	0.0	0.0	0.0	87.5	100.0	92
Primary	20.8	12.4	0.8	0.5	2.9	0.1	4.2	0.0	3.6	0.4	8.0	6.3	1.2	0.5	0.3	79.2	100.0	781
Secondary +	39.9	30.4	2.0	0.0	8.1	0.0	9.0	0.3	7.8	3.1	9.0	5.7	1.8	1.5	0.5	60.1	100.0	307
Number of living children																		
None	11.7	7.7	0.0	0.0	0.0	0.0	0.0	0.0	7.7	0.0	2.3	2.3	0.0	0.0	1.7	88.3	100.0	69
1	22.9	14.3	0.0	0.0	4.0	0.0	5.2	0.0	4.2	0.9	8.6	4.9	3.7	0.0	0.0	77.1	100.0	154
2	26.0	15.0	0.2	0.0	4.1	0.0	4.8	0.0	5.3	0.6	11.0	10.4	0.0	0.6	0.0	74.0	100.0	166
3	24.7	18.0	0.4	0.0	6.7	0.0	3.9	0.2	4.7	1.9	6.7	4.3	1.8	0.7	0.0	75.3	100.0	152
4+	26.9	18.1	1.9	0.6	4.1	0.2	6.0	0.1	4.1	1.1	8.3	6.3	1.1	1.0	0.4	73.1	100.0	639
Total	**25.1**	**16.6**	**1.1**	**0.3**	**4.2**	**0.1**	**5.1**	**0.1**	**4.6**	**1.0**	**8.2**	**6.2**	**1.3**	**0.7**	**0.3**	**74.9**	**100.0**	**1,180**

Table 6. Source of supply for specific modern methods

Percent distribution of current users of modern contraceptive methods by most recent source of method, according to specific method, Uganda 2000-01

	Contraceptive Method				
Source of supply	Female sterilisation	Pill	Injectables	Condom	All modern methods
Public sector	67.3	30.7	46.6	9.1	34.0
Government hospital	58.3	7.5	13.9	1.8	13.9
Government health centre	3.4	12.0	22.9	5.0	12.9
Family planning clinic	5.6	7.1	6.5	0.6	4.7
Outreach	**0.0**	**0.6**	**0.1**	**0.5**	**0.3**
Government CBD	0.0	1.7	0.3	0.8	0.7
Other public	0.0	1.8	2.8	0.4	1.5
Private medical sector	29.8	67.1	51.3	33.2	45.4
Private hospital	26.3	48.9	47.1	20.7	36.2
Pharmacy/drug shop	0.0	16.9	1.2	11.5	7.1
Private doctor/nurse/midwife	0.0	0.7	1.3	0.0	0.6
Outreach	0.0	0.0	0.2	0.0	0.1
NGO CBD	0.0	0.0	0.2	1.1	0.4
Other private	3.6	0.5	1.3	0.0	1.0
Other source	2.8	2.2	2.2	57.7	20.6
Shop	0.0	1.5	0.0	40.1	11.8
Religious institution	0.0	0.0	0.5	0.0	0.2
Friends, relatives	0.0	0.2	0.8	12.5	3.9
Other	0.0	0.0	0.2	4.8	1.4
Missing	2.8	0.5	0.7	0.3	3.6
Total[1]	100.0	100.0	100.0	100.0	100.0
Number	105	198	361	272	969

[1]Iincludes 2 users of male sterilisation, 19 IUD users, 23 implants users and 3 users of foam and jelly.

Table 7. Reproductive preferences by age

Percent distribution of currently married women and men by desire for children, according to age, Uganda 2000-01

Desire for children	Age 15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	Total
WOMEN									
Want within 2 years	34.1	18.7	19.8	17.1	16.1	12.5	6.7	NA	18.5
Want after 2 years	57.0	60.6	40.7	24.8	11.4	3.9	1.0	NA	34.7
Want, unsure timing	3.7	1.3	2.1	0.6	0.5	0.9	1.0	NA	1.4
Undecided	2.1	3.3	4.1	4.7	5.1	1.5	1.5	NA	3.6
Want no more	2.2	15.4	31.8	49.0	57.3	66.3	65.1	NA	36.4
Sterilised	0.0	0.6	0.5	2.0	3.6	7.2	5.4	NA	2.0
Declare infecund	0.3	0.1	0.8	1.7	5.6	7.6	19.5	NA	3.1
Missing	0.5	0.1	0.2	0.2	0.3	0.0	0.0	NA	0.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**NA**	**100.0**
Number	**466**	**1,150**	**1,078**	**807**	**652**	**431**	**297**	**NA**	**4,881**
MEN									
Want within 2 years	(36.4)	36.1	31.6	23.9	26.2	28.6	25.0	14.1	27.7
Want after 2 years	(56.1)	55.5	51.3	51.7	39.1	15.4	16.8	10.8	39.9
Want, unsure timing	(0.0)	2.9	2.5	1.0	1.9	0.7	0.0	1.9	1.6
Undecided	(0.0)	1.9	2.3	1.1	2.6	2.6	2.7	4.6	2.2
Want no more	(7.5)	3.6	12.3	22.3	29.3	49.1	50.8	59.5	27.1
Sterilised	(0.0)	0.0	0.0	0.0	0.0	0.6	2.6	0.0	0.3
Declare infecund	(0.0)	0.0	0.0	0.0	0.0	2.8	2.1	9.1	1.1
Missing	(0.0)	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Number	**28**	**139**	**237**	**250**	**203**	**146**	**106**	**72**	**1,180**

Figures in parentheses are based on 25-49 unweighted cases

Table 8. Tetanus toxoid vaccination, antenatal care and assistance at delivery

Percentage of last live births in the five years preceding the survey whose mothers received at least two tetanus toxoid injections during pregnancy and who received antenatal care from a doctor or nurse/midwife, and percentage of all births in the five years preceding the survey who received assistance at delivery from a doctor or nurse/midwife, according to background characteristics, Uganda 2000-01

Antenatal care and delivery assistance								
		Antenatal provider			Assistance during delivery			
Background characteristic	Tetanus toxoid	Number of last births	Doctor	Nurse/ midwife	Number of last births	Doctor of births	Nurse/ midwife	Number in last 5 years
Maternal age at birth								
<20	45.4	746	9.0	83.4	746	5.3	41.7	1,543
20-34	42.0	3,058	9.8	81.0	3,058	3.7	32.9	5,236
35+	36.4	685	8.0	77.9	685	2.0	26.6	892
Residence								
Urban	55.6	560	25.5	70.6	560	14.3	65.4	821
Rural	39.8	3,930	7.1	82.4	3,930	2.5	30.1	6,850
Region								
Central	45.5	1,323	17.5	76.1	1,323	7.8	50.3	2,173
Eastern	41.0	1,273	4.3	89.4	1,273	1.7	37.6	2,305
Northern	43.0	775	4.5	84.9	775	2.3	23.7	1,316
Western	37.3	1,119	8.9	74.3	1,119	2.8	17.6	1,878
Education								
No education	37.5	1,103	4.3	79.6	1,103	1.2	20.0	1,890
Primary	40.3	2,791	8.1	83.3	2,791	3.3	34.2	4,922
Secondary +	56.5	594	25.0	72.6	594	12.6	62.7	858
Birth order								
1	53.8	717	14.8	79.7	717	8.2	46.9	1,378
2-3	44.4	1,380	10.0	80.6	1,380	3.5	34.1	2,519
4-5	37.1	1,057	8.4	82.2	1,057	3.0	30.1	1,733
6+	36.2	1,335	6.6	81.0	1,335	1.9	28.2	2,042
Total	**41.7**	**4,489**	**9.4**	**80.9**	**4,489**	**3.8**	**33.9**	**7,672**

Table 9. Vaccinations by background characteristics

Among children aged 12-23 months, the percentage who have received each vaccine (according to the vaccination card or the mother's report) and the percentage with health cards seen by interviewer, by background characteristics, Uganda 2000-01

Background characteristic	Percentage of children who received:											
	BCG	DPT1	DPT2	DPT3+	Polio1	Polio2	Polio3	Measles	All[1]	No vaccinations	Percentage with a vaccination card	Number
Sex												
Male	79.6	77.5	63.7	44.6	86.2	74.3	54.8	56.2	37.7	12.0	47.5	763
Female	77.8	76.5	64.1	47.7	82.7	73.9	58.1	57.4	38.5	14.0	47.1	741
Residence												
Urban	91.9	88.5	75.1	59.1	92.4	82.9	70.2	68.4	49.0	13.8	42.6	167
Rural	77.0	75.6	62.5	44.5	83.5	73.0	54.7	55.3	36.7	13.8	47.8	1,337
Region												
Central	70.7	68.5	52.6	37.9	75.8	63.4	45.6	50.9	32.0	21.1	40.6	423
Eastern	84.4	78.4	63.8	44.7	89.1	76.1	58.2	53.1	37.9	6.9	53.7	445
Northern	78.2	78.9	65.9	44.9	85.0	78.8	57.8	57.9	34.4	13.4	43.7	255
Western	81.2	83.5	75.1	57.7	88.4	80.6	65.4	66.9	47.5	10.9	49.6	382
Education												
No education	70.9	71.0	55.2	37.0	81.5	67.9	49.9	54.1	29.3	16.5	41.1	368
Primary	79.5	77.4	64.9	46.9	84.7	74.6	56.4	55.5	38.4	12.6	49.2	957
Secondary+	90.4	87.5	76.4	60.6	89.1	84.0	69.9	69.4	54.7	7.7	49.3	179
Total	**78.7**	**77.0**	**63.9**	**46.1**	**84.5**	**74.1**	**56.4**	**56.8**	**38.1**	**13.0**	**47.3**	**1,504**

[1] Children who are fully vaccinated (i.e., those who have received BCG, measles and three doses of DPT and polio

Table 10. Prevalence of diarrhoea and use of oral rehydration therapy

Percentage of children under five years of age who had diarrhoea in the two weeks preceding the survey, and of those with diarrhoea the percent who were given oral rehydration solution (ORS) or a homemade salt and sugar solution by background characteristics, Uganda 2000-01

		Treatment of children with diarrhoea			
Background characteristic	Percentage of children with diarrhoea	ORS packets	Sugar, salt and water solution	Either	Number of children under 5
Child's age (months)					
0- 6	17.8	16.9	10.0	23.0	715
6-11	38.1	36.5	14.6	44.8	770
12-23	29.4	38.1	18.2	48.5	1,504
24-35	17.9	33.2	14.5	43.2	1,256
36-47	11.1	32.8	21.1	41.3	1,334
48-59	**7.9**	**26.1**	**27.9**	**43.8**	**1,232**
Sex					
Male	20.4	35.6	17.6	45.1	3,372
Female	18.7	31.1	16.4	41.2	3,439
Residence					
Urban	15.5	43.5	17.1	53.3	767
Rural	20.1	32.5	17.0	42.2	6,044
Region					
Central	14.5	39.1	22.7	55.9	1,956
Eastern	23.3	39.7	17.1	45.9	2,077
Northern	26.7	30.5	14.7	40.4	1,133
Western	16.0	19.2	13.6	27.8	1,646
Education					
No education	21.0	32.8	19.6	42.7	1,649
Primary	20.3	32.8	15.6	42.2	4,357
Secondary +	12.8	41.3	20.6	53.7	805
Total[1]	**19.6**	**33.5**	**17.0**	**43.2**	**6,811**

Total includes 1 child for whom information about mother's education is missing.

Table 11. Breastfeeding and supplementation

Percent distribution of children under ten months old by breastfeeding status, food supplementation and use of a bottle with a nipple, according to age, Uganda 2000-01

			Breastfeeding and:						
Child's age in months	Not breast	Exclusively -feeding	Plain breastfed	Water-based water only	Non-breast liquids, juice	Complementary milk	Total foods	Using	Number bottle with a nipple
0-3	1.9	73.7	3.4	2.0	13.4	5.5	100.0	19.1	451
4-6	2.0	43.1	4.2	7.2	22.8	20.8	100.0	49.4	264
7-9	3.1	6.7	2.1	6.4	8.6	73.2	100.0	82.0	497

Table 12. Early childhood mortality rates

Neonatal, postneonatal, infant, child and under-five mortality for five-year periods preceding the survey, Uganda 2000-01

Years preceding the survey	**Approximate period**	**Neonatal mortality**	**Postneonatal mortality[1]**	**Infant mortality**	**Child mortality**	**Under-five mortality**
0-4	1996-2000	33.2	55.2	88.4	69.2	151.5
5-9	1991-1995	36.7	53.9	90.5	79.6	162.9
10-15	1986-1990	36.1	52.8	89.0	81.9	163.6

[1] Computed as the difference between the infant and the neonatal mortality rates

Figure 1. Trends in age-specific fertility rates 1990 - 2001

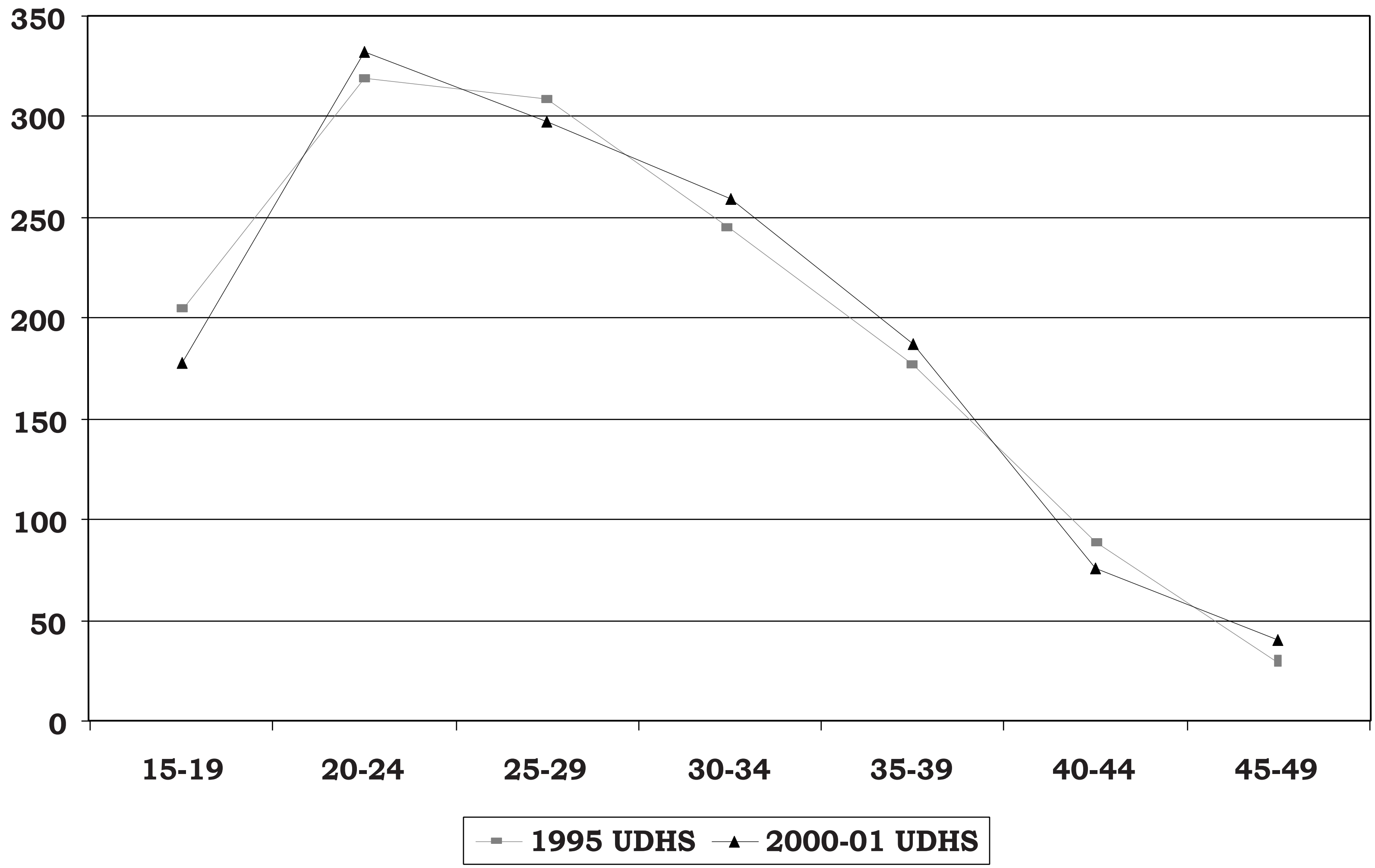


Figure 2. Contraceptive use among currently married women 1988-2001

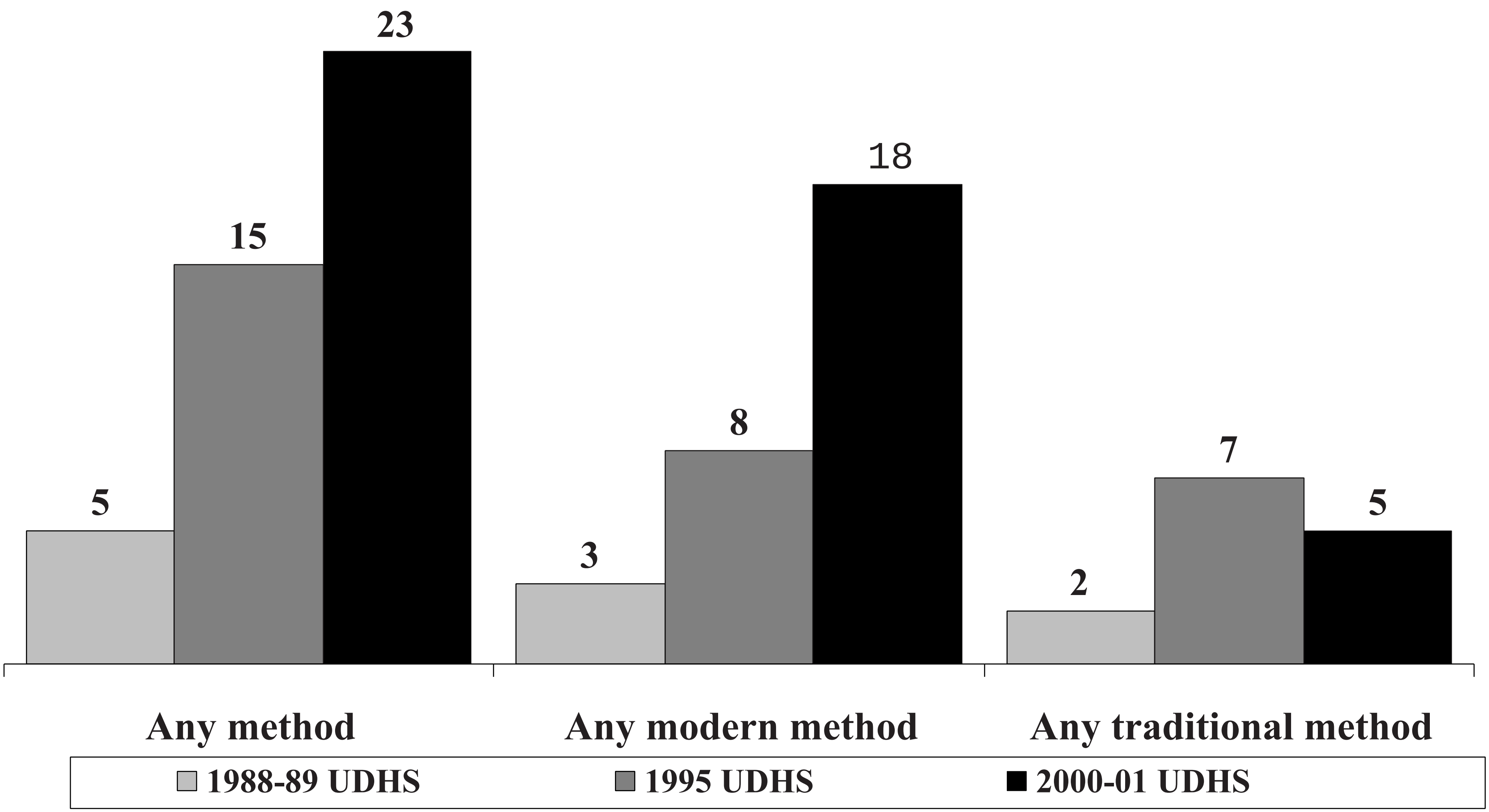


Figure 3. Modern contraceptive use among currently married women, 1995 and 2000-01

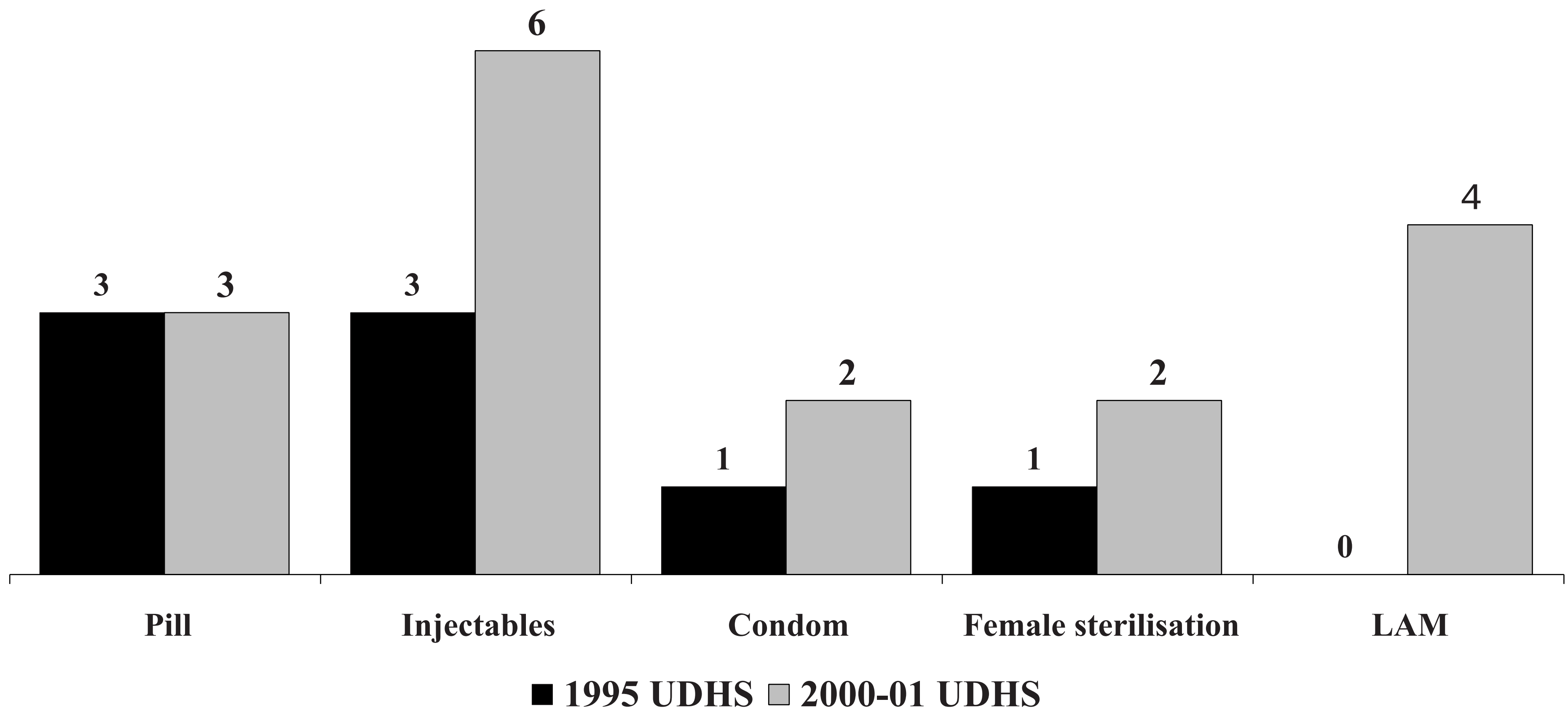


Figure 4. Source for modern methods

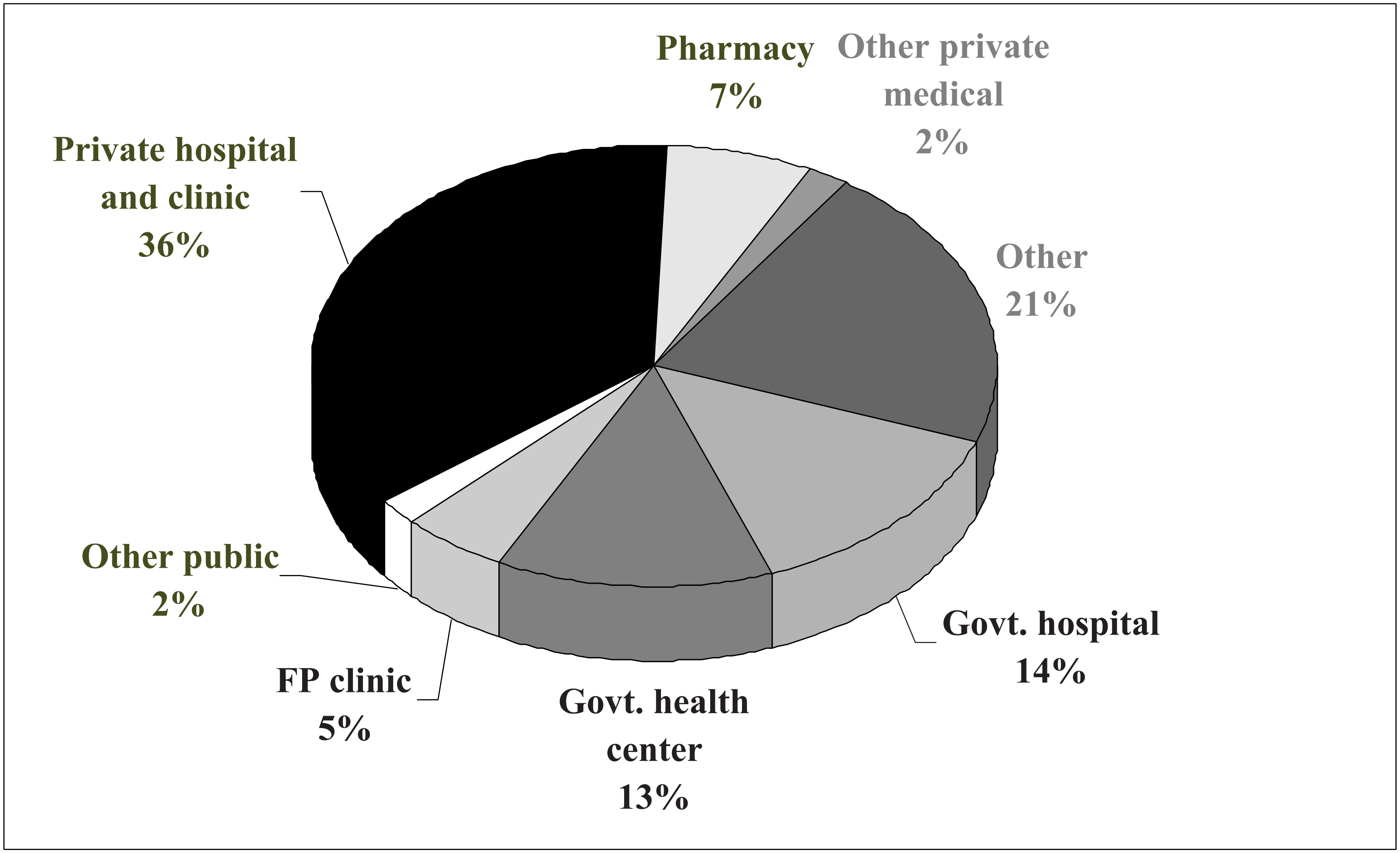


Figure 5. Vaccination coverage among children 12-23 months

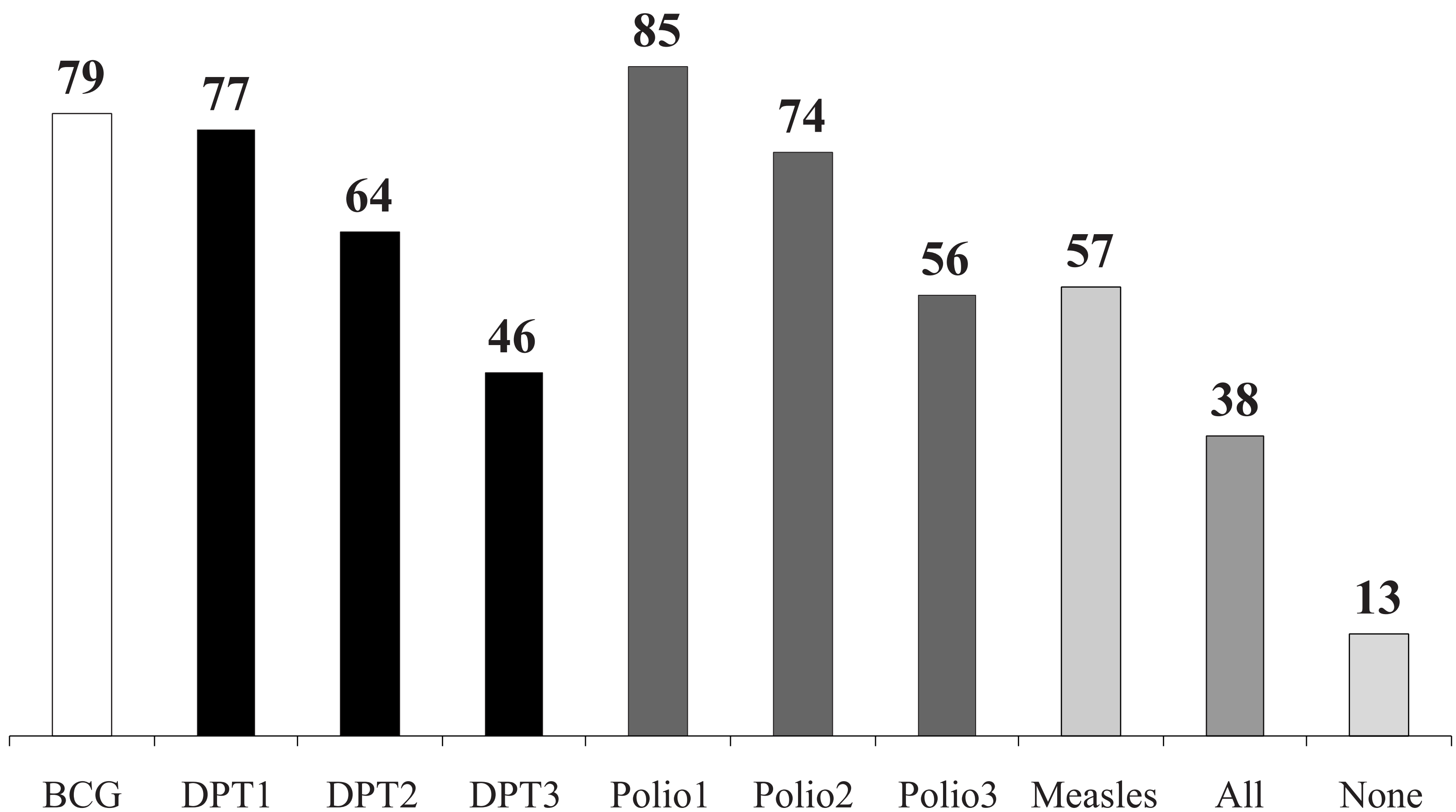
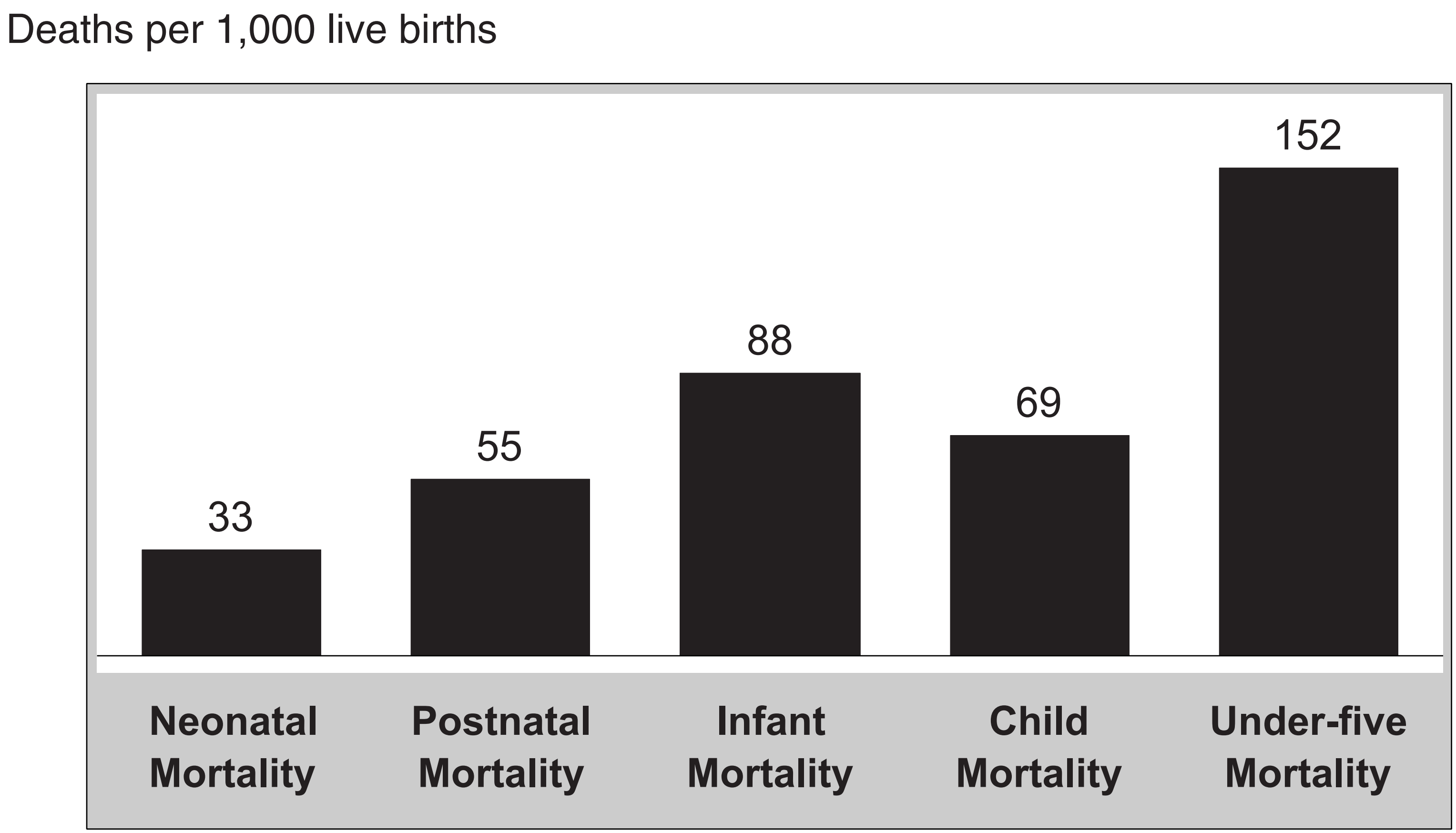


Figure 6. Childhood mortality rates, 1996-2000



GIRLS' EDUCATION

7

QUALITY PRIMARY EDUCATION FOR GIRLS[1]

I. INTRODUCTION

This working document presents a draft strategic approach and several preliminary activity options to support quality basic education for girls, which has been identified by USAID/Uganda as one of the "critical thematic areas" for its education sector program. The document has been prepared in advance of other thematic areas in education, and should be viewed as a tool in the interative process of strategy development, rather than a final proposal. It is also based on several assumptions that may be modified over the next few months as Mission strategy is finalized. The reader should keep in mind the following:

- Although the document will contribute to the development of USAID/Uganda's social sector strategy (SO 8—Improved Social Sector Delivery), it will also be subsumed by it. Consequently, an effort has been made here to avoid the Results Framework terminology, while at the same time denoting the cause-effect relationships inherent to strategic objective explication.
- Since the education sector strategy comprises four education critical thematic areas, the contents of this document will both inform and ultimately be integrated with them.
- Because the linkages between quality girls' education and education quality for all, on one hand, and girls' education and health sector interventions, on the other, are very close and distinctions between them may frequently blur, the activities proposed in this document may often contribute directly to these areas or serve as a complement to the activities that may be proposed in education quality and health education. Conversely, the Information Technology target area should take into consideration the gender dimensions that tend to have a negative impact on female educational participation and include plans for equitable access and use of computers, Internet, etc. in the PTC or other venues where it may be introduced.
- A functioning basic education system that provides the fundamental inputs to schooling (trained teachers, classroom, and materials) in sufficient quantity is the foundation of girls' education. Although USAID is transitioning to a project-based approach, it is understood that the Ministry of Education and Sport (MoES), with support from its ESIP funding agency partners, will continue to act within the policy and investment framework that supports quality primary education for all children and support the quality-improving structures (e.g. TDMS) that have been put in place as part of it basic education reform program.

The remainder of this document is organized into six sections. The magnitude of the problem of low girls' persistence and performance in primary school and the factors contributing to it are discussed in Section II. A review of the activities undertaken to improve girls' educational participation in Uganda, and the gaps that remain are analyzed in Section III. A proposed USAID strategy is outlined in Section IV. Options for activities to support girls' education are described in Section V. USAID comparative advantage is summarized in Section VI. Next steps are noted in Section VII.

II. THE PROBLEM—LOW PERSISTENCE AND PERFORMANCE OF GIRLS IN PRIMARY SCHOOL

Numerically, the introduction of Universal Primary Education (UPE) in 1997 has dramatically altered the educational landscape. Between 1996 and 1999, the number of primary school students has more than doubled from 2.7 million to 6.5 million. Today, virtually every child—but the most disadvantaged—is likely to enroll in primary school. Yet many of the pre-UPE problems linger. Student wastage— repetition, dropout, completion and performance—remains high, and is likely to worsen due to the strains on educational quality. And, despite gains in enrollment, girls continue to lag behind boys in nearly all educational outcome measures.

1998/99 Educational Outcomes in Primary School

	Girls(%)	Boys(%)	Total(%)	Disparity Index
GER	114	129	122	0.88
NER(1999)	83	92	87	0.90
GAR(P1)	222	231	226	0.96
Repetition	6.5	6.9	—-	0.94 (-)
Drop-out	20.2	25.0	—-	0.81 (-)
Completion(P7)	15.0	21.0	—-	0.71
PSLE Sitters	23.0	33.0	—-	0.70
Pass Rate				

A lower percentage of girls than boys enroll in first grade and are represented in the primary cycle. Girls are less likely than boys to complete the primary cycle (P7). Girls are less likely to do well on achievement tests or pass the primary school leaving exam. And a smaller proportion of girls will be admitted to secondary school and given a chance to pursue higher education. The cumulative effect of all these variables will be both chronic and pervasive gender disparities and—more importantly—female literacy, competencies and social negotiation skills that remain below the threshhold levels considered necessary to realize the developmental benefits associated with them, such as greater economic productivity, lower fertility rates, lower child mortality/ morbidity, and greater participation in civil society.

Notably, girls' primary school drop-out rate, completion rate, PSLE pass rate, and math and science achievement test scores are much lower than boys and are areas of greatest concern. Data show that girls are particularly at risk in the upper primary grades, although this is likely to be a result of cumulative factors starting in the lower primary grades. It is especially important that educational quality be addressed with special attention to girls—be it through policies, programs or other interventions—given the particular and greater challenges they face both in school and at home. [Also it is likely that the pent-up demand for schooling released by UPE could be dampened by girls' lack of success and achievement in primary school and in future years their enrollment ratio fall even further behind than boys.]

Many of the same factors depress boys' and girls' educational participation, such as high pupil-teacher ratio, poor quality instruction, lack of materials, high costs, lack of family support and negative attitudes toward education. However, these often affect girls disproportionately, exerting a stronger negative influence on their chances of enrolling, remaining and succeeding in school. And some factors are unique to girls, most obviously the impact of their sexual development and its implications (on hygiene needs, molestation, pregnancy), their role in the household economy, and negative views of their intelligence and ability by parent, community, teachers and the girls themselves. Specifically:

- The "window of opportunity" for girls to complete primary school is narrower than boys, because:

  - when parents can not afford the direct costs of schooling (such as transport, books, clothing) their rationing strategy is to give preference to boys, delay girls' entry or limit their persistence.
  - girls are often withdrawn from school for early marriage to secure the bride wealth for the family or fear of pregnancy, and girls are less likely than boys to make decision about their schooling.

- Girls' attendance at school is irregular, because:
  - if girls can not obtain decent clothing, underwear, hygiene products, or even soap, they are more likely to absent themselves from school.
  - girls are more likely to be absent from school than boys due to the demands on their time for childcare and domestic chores. These duties encroach on the time girls have for homework, and are more arduous than the domestic tasks assigned boys.
  - the onset of menarche increases the absenteeism of girls, due to lack of sanitary products, school sanitation facilities and period-induced "illness".
- Girls' performance and interest in school is constrained, because:
  - harassment (including sexual molestation) of girls by boy students, teachers and community men is widespread, and girls are often enticed into relationships with the promise of gifts, with a reportedly high incidence of pregnancy leading to drop-out.
  - children, parents and teachers believe that girls are less intelligent than boys and tend to view their current and future roles in traditional terms and treat them accordingly.

III. GAPS AND NEEDS

A. Support of Girls' Education

In recent years, girls' education has received widespread attention and publicity in Uganda from the government, the development community, and civil society organizations. Annex 1 presents in tabular form support provided to girls' education from government, funding agencies/donors, and NGOs/PVOs, and is based on interviews with most of the institutions mentioned (see Annex 2 for listing). It is organized according to the major barriers and constraints to girls' education in Uganda identified in a review of the research literature and presented in "Summary Analysis of Girls' Education in Uganda" (USAID, 2/2000). Additional information about activities in girls' education can be found in: "Who is doing What and Where? A Directory of Strategic Partners Supporting Girls' Education in Uganda" prepared by The Alliance for Community Action on Female Education in Uganda; "Report on the Launch of the National Strategy for Girls' Education in Uganda" by H.E. Dr. Specioza Wandira Kazibwe (MoES, 6/2000); and "National Strategy for Girls' Education in Uganda" (MoES, 12/1998).

Support for girls' education in Uganda is a mixture of programs initiated and financed by government (MoES and Ministry of Gender) , funding agencies, and NGOs, sometimes working in close partnership but mostly in loose collaboration. MoES attention to and support of girls' primary education began in the early 1990's with its basic education reform effort that aimed at providing access to better quality education for more children, including girls. Broad policy mandates numbered girls' education among its priorities and education statistics were disaggregated. With donor support the MoES undertook actions to specifically support girls' education (discussed below). With the advent of UPE in 1996/97 and the elimination of school fees, access was broadened for all children with the result that girls' enrollments rose significantly. MoES policy mandated that at least two girls should be part of the four "UPE" children that families were allowed to send to school free of charge. As funding agency support coalesced into the ESIP ("education sector investment program") and the primary modality became conditioned budgetary support, classroom construction accelerated with the provision of separate latrines for girls. [Prior to ESIP, DFID and Ireland AID provided project support for school capital improvements, such as latrines and water supply, to benefit girls.]

In 1998,with support from FAWE and UNICEF, the MoES brought together over thirty stakeholder groups to assist in the development of its *National Strategy and Plan of Action for Girls' Education in Uganda*. This document maps out both what the many different groups are doing to address 18 critical socio-cultural, school-related and politico-economic barriers to girls education, and what the MOES and its collaborating partners need to do to improve girls' educational participation. The Plan of Action outlines strategies and activities to address key objectives, identifies the collaborating responsible party, and notes the resources (financial, human and material) available and needed. The Strategy is intended to guide current and future players to organize their activities around commonly identified, priority problems, and to ensure complementarity of and to the MOES program. In 2000, the MoES "launched" its National Strategy in an attempt to jumpstart action (and with pressure from CIDA, which had provided funds to UNICEF for strategy development.)

USAID has figured prominently in the support of girls' education, primarily working with and through the government.. Its SUPER Project has assisted the MOES in the development and implementation of a community mobilization effort that has helped create a network of community mobilizers and has addressed girls' education with modules exploring community attitudes and factors hindering girls' education. The MOES—also with USAID support—implemented a school incentive grant program (PGE) in 15 districts that initially provided funds to schools to support girls' education and later rewarded their innovations to improve girls' persistence and performance through school competitions. A by-product of this program is the handbook *"Girls Can Do It!"* which consolidates schools' best practices into low-cost activities that schools can implement to improve girls' education. USAID has also supported teacher training in girl-friendly classroom practices through the "Equity in the Classroom" Project. Most recently USAID, through the EDDI program, has provided 180 secondary school girls with scholarships. The U.S. Peace Corps are soon to place 20 volunteers, five of them trained teachers, in PTCs and schools.

UNICEF also has played an active role in girls' education, with the assistance of CIDA funding, although often working outside the ESIP framework. As noted, it supported the development and launch of the national strategy. It instituted the SARA Program, which entailed a major publicity campaign(video, print media serialization, education festival) about girls' education and mobilized communities in several districts. It has addressed girls' education through its assistance to the MoES in developing it life skills curricula called BECCAD ("basic education, child care, adolescent development") and supported related activities in 35 districts. It provides support to COPE program for out-of-school children (that includes girl-friendly approaches and materials) and the ABEK program in the nomadic Karamoja region. It is currently in the process of developing a new country program, the "Child Friendly Basic Education and Learning Program." The "Girls' Education and Quality" component will build on lessons learned to create a girl-friendly school, with an emphasis on children's rights and life skills for the early primary grades (P1-3). Its "School Sanitation" program will support latrine construction and maintaining a healthy school environment. UNICEF is currently looking for funding to equip schools with emergency "sanitary packs".

The NGO sector in Uganda has been particularly active in girls' education. Numerous organizations—both international and local—have also included girls' education on their agendas, and are implementing programs and activities to support it in selected districts and schools. (See Annex 1 for details) Many innovative approaches, techniques, tools and materials have been created by these groups, which deal with both supply-side and demand-side issues.

A few organizations stand out:

- FAWE (Forum for African Women Educationalists) has worked both with the MoES and UNICEF to promote girls' education in schools. It has helped the MoES develop and organize its National Girls' Education Strategy Efforts, and has assumed a coordination and clearinghouse role in girls' education. It has sponsored work of FEMSA and the Alliance, and has instituted a teacher exchange program twinning the two best urban schools with 2 worst rural ones, in a district. It has established student life skills clubs in 66 schools in six districts and created a board game "*Girls' Education Safari*" to illustrate the benefits and pitfalls faced by girls pursuing an education. It has also supported research studies, such as the GAPS study, an analysis of the pregnancy policy and the effects of corporal punishment on girls. FAWE receives funding from its Nairobi office, UNICEF, Lewis K. Preston Fund, the World Bank and other small grants.

- The Straight Talk Foundation publishes and distributes to every government school monthly magazines—*Straight Talk* (for secondary students) and *Young* Talk (for upper primary students)—that address life management issues for girls and boys., and is coordinated with the BECCAD curriculum. It is about to launch publication of a periodical, *Teacher Talk* , to help teachers better support students and deal with their own issues. Annually, it conducts primary school teacher sensitization workshops in 20 districts and secondary school student seminars (with teachers included), and is piloting a peer education program in 10 schools in Kampala. It broadcasts a weekly *Straight Talk* radio program on five stations in English and one local language. It receives funding from UNICEF, DFID, DANIDA, Ford Foundation, DWS and USAID (through CMS for HIV-AIDS).
- ACFODE has developed a "Responsible Living" guide, life skills modules, and peer mentoring program for girls, as well as materials for training teachers in counseling. ACFODE has conducted two studies (1991, 1997) on girls' dropout and retention in primary school.
- The Alliance for Community Action on Female Education, hosted by FAWE/Uganda, works to strengthen the awareness, capacity of, and linkages between NGOs, CBOs and private sector groups to support girls' education. It has initiated a competitive small grant program for eligible NGO and CBOs, and has conducted training on how to reach out to the business community and fund-raising.
- Save the Children/ Norway and Save the Children/US have developed alternative education models, using condensed curricula, flexible scheduling and calendars and community-based school management for hard-to-reach populations. Both SC/Norway's ABEK program in Karamoja and SC/US's Chance pilot program in Nakasongola have proved particularly attractive to girls.

Action-Aid, ADRA, World Vision, Compassion and other international PVOs have incorporated latrine building and gender training for teachers into their education programs. The Women's Media Association produces (with donor funding) the monthly supplement distributed with the two major newspapers which addresses women's issues (including education), and contributes to the weekly women's issue page and column on girls' education published in the national New Vision newspaper. The Ministries of Health and Information, UNFPA, the Kampala City Council and the Rotary Club of Makindye have joined together to produce radio and TV programs on family life education, that have particularly targeted girls' education issues.

The Church of Uganda, the Catholic Church, and the Uganda Moslem Supreme Council and affiliated organizations have enacted programs to sensitize their members to the importance of girls' education, as well as provide support to girls themselves, with girls' clubs, leadership training, scholarships, hostels and counseling.

Other groups—ranging from the Uganda Maths Society, the Association of Women Engineers, Technicians and Scientists in Uganda and the Uganda Association for University Women to the Uganda Association for Women Lawyers and the Uganda Police Federation— have all acted to support female education, reflecting both a broad recognition of the issue and the robust state of civil society in Uganda.

B. Constraints and Gaps

At the end of a decade which introduced the issue of girls education as an integral part of basic education reform, the landscape of girls' education in Uganda is encouragingly a crowded one, consisting of a dizzying mosaic or patchwork of efforts by many different organizations, from the public and private sectors with diverse affiliations, funding sources and approaches. Most of these programs appear to be based on a well-grounded and sophisticated understanding of the various and inter-related factors affecting girls' educational participation. As the girls' primary enrollment ratio has increased with the advent of UPE, many activities have logically turned to addressing girls' persistence and performance in school. Furthermore, the diversity of programs demonstrates that both demand-side (socio-cultural and economic) and supply-side factors affecting girls education are recognized and being addressed by the many players.

Nonetheless there are several constraints to ensuring that efforts to improve the quality of girls' education and the learning environment reach the schools, teachers, parents and girls (and boys) in sufficient quantity and quality, and on a nation-wide or widespread basis. Outlined below are the major constraints and gaps. They are inter-related and are presented in no order of priority.

1. Spotty, incomplete coverage

Despite the volume of activities in girls' education, many schools do not receive support for girls education, do not receive consistent support, or do not receive the variety of interventions/assistance to address the multitude of problems that affect girls. Ideally, a complete girls' education program should provide support of girls' academic, psycho-social, and physical needs. It should work to enlist support in the school, community and household. Addressing one need, probably will not be sufficient to allow a girls to persist and succeed in primary school. Most of the NGO programs are small in scale (seldom reaching more than 50 schools) and limited in coverage, leaving significant gaps in the communities, schools and districts receiving support. Several efforts have been made to list the activities in girls' education, but thus far coordination has largely been based on information exchange in different girls' education fora. The MoES does not appear to have made an attempt to map and rationalize coverage. Several programs are duplicative; at worst they may provide conflicting messages, at best they do not build on each other's experience and work.

2. Lack of Integration into MoES policy framework and ESIP

Experience with girls' education has shown that is must be integrated or "mainstreamed" into the public sector education policy framework, strategy, work plan and routine operations in order to achieve lasting or positive impact on girls. Seldom are additive or supplementary programs for girls effective on their own. Some examples of "mainstreaming" are : recruiting female teachers as part of hiring process, providing for their successful completion of teacher training; deploying them to rural areas; incorporating girls' education into teacher training curricula; revising punitive pregnancy policies; ensuring that separate and a greater number of latrine posts for girls are included in school construction plans; eliminating biases from the curriculum and text books; and tracking the implementation status and impact of these efforts. Although the MoES has worked on some of these issues, it has not yet implemented a comprehensive "gender mainstreaming" program (although there are some reports that it has a document under preparation). It has not consistently tracked the impact of those policies enacted that do benefit girls, such as 2 girls enrolled out of 4 UPE children, or re-enrollment of girl-mothers, or enforcement of anti-defilement policies. Moreover, many participants in the ESIP believe that its focus on broad policy addressing inputs (more teachers, classrooms and books) has sidelined MoES efforts on girls' education. Girls' education does not appear among the indicators or undertakings on which pooled donor budgetary support is conditioned, with the exception of one indicator calling for gender equity at P7.

3. Absence of MOES Action:

There is little doubt about the willingness and interest of the MoES in supporting girls' education. It participates in numerous girls' education conferences, and has admirably allowed NGOs to work with government schools. (In many countries, ministries do not permit NGO intervention in public schools.) It has recognized the work and importance of the NGO community to girls' education. However despite its presiding over several meetings, the private commitment of time and effort of its personnel (often to FAWE), and its understanding of girls' education issues, it has not taken a pro-active leadership role in developing an actionable national girls' education strategy, translating it into a work plan, and working consistently with the different departments to include girls in their portfolio and reports on impact. The development of the National Strategy for Girls' Education and related meetings was largely organized by FAWE. Much of the actions attributed to the MoES have been driven and funded by donors, such as UNICEF and USAID, although the MoES has proved a ready and able collaborator and has assumed some the of the recurrent costs associated with the delivery systems, such as TDMS, but not the specific girls' education interventions.

4. Lack of MoES Institutional Capacity to Act:

The MoES has appointed a "gender desk", consisting of a single individual to promote, organize and track girls' education in MoES at all levels. The Gender Desk lacks the manpower, budget resources and authority to take significant actions and guide MoES policy and investments in girls' education. Earlier, the MoES failed to provide the budget for the supervision of the PGE, so that its coordinator depended on donor and project field trips to visit PGE schools.

5. Limited Trickle-down Effects:

TDMS is the primary channel of improving school quality and environment, by reaching schools and teachers through training and support provided by PTC and CCTs. It is based on a cascade approach that has proved very effective in many instances, particularly with the impetus and assistance provided by the SUPER project which introduced several girls' education training programs. However, it appears increasingly that the training provided to PTCs and CCTs is not being transferred to teachers or consistently supported or monitored by either the CCTs or Inspectors for a variety of reasons. There is some evidence that materials intended for teachers and reproduced in sufficient quantities –such as Girls Can Do It!—are not reaching the school or being acted on. There is insufficient. tracking of the impact or use of the materials and training. It is also unclear whether the girls' education training programs have been incorporated into pre-service teacher curriculum, in-service training (which is phasing out), and the Continuing Professional Development training program that is replacing it. Even if on the syllabus, the frequency of its offering is unknown. In short, it appears that girls' education programs have been developed and training has taken place but that they have not penetrated the classroom or school environment to the extent needed to have the desired impact on girls.

IV. USAID/UGANDA STRATEGY

The goal of the Mission's girls' education strategy *is to increase the persistence and performance of girls in primary school, particularly in the upper primary grades.* Although a by-product of this is likely to be a decreased gender gap, reduced disparity between boys' and girls' outcome indicators is not the target. [The developmental gains associated with girls' education are related to skill levels (acquired in school) and not the gap between boys and girls.] The indicators associated with persistence and performance should be expressed in students outcomes, such as: completion rate of the primary cycle, P7 (or selected grade) attainment rate, average or selected grade drop-out and repetition rates, PSLE sitters pass rate, PSLE sitters rate, and scores on achievement tests (particularly math and science).

The purpose of the Mission's girls' education strategy is *to improve the quality of basic education for girls and create an effective learning environment for them*. The indicators associated with this will be a combination of student outcomes and system outputs, and largely a function of the specific policies and programs supported by the strategy. Overall systemic improvement may include: the percentage of female teachers and school directors, percentage of schools with girl-friendly environments, percentage of teachers trained in girl-friendly pedagogy, percentage of school counselors trained, and implementation by MoES of policies and programs supportive of girls. Specific student outcomes—resulting from targeted programs—could include: reductions of schoolgirl pregnancy, girls' mastery of specific life skills, and children's attitudes towards girls.

The strategic approach: USAID will contribute to improving the quality of education and the learning environment for girls by:

- integrating ("mainstreaming") gender considerations into MoES policies, strategies, education services and operations;
- introducing new, girl-supportive services to

schools to optimize their educational participation;

- strengthening the capacity of MoES personnel at central, district and school levels to operatonalize policies, plan and support existing and new services to support girls.

USAID will support four areas that have emerged from research in Uganda as major impediments to girls' persistence and performance in school, aiming its effort at:

- the classroom—with management techniques and pedagogy that supports girls' learning;
- the school—with personnel, facilities and services to create a supportive environment;
- the community—with mobilization efforts to involve the community in supporting and complementing school-based efforts
- the girl student—with activities and service to build girls' self-confidence and ability to successfully negotiate problems in an often unsupportive society.

While girls are the targeted beneficiaries, USAID will adopt a "gender and development" (GAD) approach in which it will also address male behaviors that impact negatively on girls. Many of the activities will also include services to boys (such as life skills and counseling) that will help them as well. It will also include a wide range of stakeholders in its program, including MoES managers (e.g. DEOs, PTCs, CCTs), teachers, communities and parents.

Through the provision of project-based assistance, it will continue to support systemic change in the education system by working within the ESIP framework for UPE, and helping the MoES reinforce and refine existing programs to better support girls and develop other initiatives that will support girls. USAID' strategy is aimed at nation-wide coverage (although it may target selected districts for implementation assistance), to overcome the sporadic provision of girls' education support and ensure that a critical level of girls' education services are in every school. It will work at three levels in the education system—central, district and school—in order to achieve the coordination and "articulation" necessary to institutionalize and routinize services, so that they both reach targeted beneficiaries in the schools and that they do not become one-off efforts.

USAID's program will build on existing MoES structures and services (e.g. TDMS), on previous Mission accomplishments (e.g. Equity in the Classroom), on existing materials (e.g. Girls Can Do It), and local expertise and initiatives (e.g. Straight Talk, FAWE). Its primary partner will be the MoES, as the major provider of primary schooling in Uganda, but it recognizes the important and innovative role NGO's have played in girls' education in Uganda. It will contract with several NGOs to work with the MoES to develop and deliver interventions.

While many of the activities USAID will support are aimed at the formal primary school, it also recognizes that there are significant disadvantaged populations with special needs, which are unable to take advantage of UPE. Therefore, USAID will support the development and implementation of alternative models of education with a strong girls' education orientation, and work closely with the MoES to integrate these programs into its operations.

V. ACTIVITY OPTIONS

Below are presented several options for USAID support that will contribute to improving the quality of girls' learning environment. They are not presented in order of importance or preference. These options can be considered either singly or in some combination. Each focuses on a different level of the education system., and taken together they address the three areas delineated in the strategy (capacity building, gender mainstreaming and school-based services). Some of the options may address more than one aspect. These options are not project designs, but preliminary ideas, and each will need further study to assess technical feasibility, affordability and acceptability to the MoES. However, several of the proposed interventions and all the issues have been raised in different fora (e.g. National Girls' Education Strategy meetings, ESIP review) by the MoES and its funding agency and NGO partners. Particular thought at the design stage should be given to how these options can be tailored to build on and optimize use of MoES structures, such as

TDMS. All the options assume that overall support will be provided through a TA contractor, with sub-contracts or grant to NGOs; Option 7 assumes a direct grant to Save the Children/ US and Norway.

Option 1: Effective MoES Gender Task Force or Gender Planning/Monitoring Group

Objective: to ensure that girls' education is mainstreamed/integrated into all MoES primary education operations; an actionable Girls Education Strategy Action Plan is developed and implemented; girls' education initiatives and programs receive on-going support and reach intended beneficiaries on a national scale; and monitoring evaluation system is established and implemented.

Purpose: to strengthen MoES capacity to plan and manage support for girls' primary education, and take an active role in policy-making and program planning process.

Description: creation of institutionalized capacity to ensure that MoES girls' education policies are translated in action with specified priority undertakings.

Rationale: although the MoES has demonstrated its willingness to support girls' education and openness to donor and NGO programs for girls, it has not yet developed an actionable Girls' Education Strategy or accompanying Action/Work Plan that delineates priorities, operational policies and specific programs or initiatives for girls' education, and incorporate them into the ESIP and MoES departmental work plans. Nor has it been able to consistently monitor the extent to which MoES girls' education activities have been implemented (e.g. CCT training of teachers in girls' education) and their effectiveness in enhancing the school/classroom environment for girls. Much of the leadership and coordination in girls' education has been undertaken by FAWE with UNICEF (and CIDA) funding. The current structure of a "Gender Desk" is not adequate, consisting of a single part time representative who is responsible for monitoring girls' education at all levels of the education system (despite the support of the Director of the EPD). Little or no funds are allocated to support field monitoring activities (or anything else). The Gender Desk representative does not hold commissioner status, which would facilitate participation in high level planning and decision-making, and interaction with other department heads to incorporate girls' education considerations into their portfolios.

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USAID support:

- Assist the MoES to assess its needs, develop an appropriate structure for supporting girls' education, define/codify its mandate and scope, and prepare operational budget for MoES and possible (ancillary) donor support.
- Assist the MoES develop an Action Plan to operationalize the Girls' Education Strategy (in collaboration with other partners).
- Provide guidance and technical support in working with EPD and other MoES departments to review and strengthen their annual plans and operations with respect to gender and their implementation.
- Assist MoES in the development of a plan to mainstream gender into ESIP framework and its implementation.
- Assist MoES in developing a monitoring and evaluation strategy and reporting plan (possibly including district-level representatives).
- Assist through provision of training in fund-raising to enlist businesses in funding some needed commodities for girls (e.g. sanitary packs)

Considerations: Gender units have had mixed success in Africa, so that careful consideration should be given to how best to accomplish the goals, without creating an additional layer of ineffective bureaucracy, or isolating girls' education from normal operations.. The creation of an additional Task Force must take into account the heavy time/work burdens already borne by MoES commissioners and technical personnel. Emphasis should be put on MoES allocating its own budget resources for support of this unit.

Possible Partners: direct support in this activity should come from USAID technical assistance, rather than through NGOs, which tend not to have experience with public education sector programs and ESIPs.

Next Steps: Note that thus far analysis is based on general observations, discussions with girls' education stakeholders, and gender desk representatives. Discussions should take place with principals at MoES (PS, EPD commissioner, Director of Primary Education, etc.) about structures to support of girls' education, needs, and best options for supporting within the MoES, and USAID contributions.

Option 2: Support District Level Action Plan Development and Implementation

Objective: to ensure that MoES girls' education policies and initiatives are incorporated into District education annual plans and budgets, and are implemented and monitored by District authorities.

Purpose: to strengthen District capacity to plan and manage support for girls' primary education, and involve local level stakeholders (education offices, LC5, local CBO, etc.) in planning for and supporting girls' education.

Rationale: as part of the national decentralization effort, the districts are assuming major responsibility for setting education sector priorities, interpreting/acting on policies, and managing the education system. Through school capitation and facilities(SFG) grants from central government, districts fund school operations and provide for infrastructure needs. Districts are also provided unconditional grants to split with other sector, such as health and water. They also retain 35% of locally collected tax funds. However, districts are generally reluctant to allocate unconditional grants and their own revenues to education, reasoning that UPE has already claimed sufficient resources. The June 2000 launch of the National Girls' Education Strategy identified the development of girls' education district action plans as a key element for promoting girls' education, but did not detail how district would be guided and assisted in the "participatory" process called for, or indicate the resources they might call on for help in implementation (e.g. trained CCTs and existing materials, such as Equity in the Classroom or Girls Can Do It!)

USAID support:

- Assist preparation of girls' action plan development guidance.
- Assist creation Girls Action Plan development teams composed of MoES and NGO girls' education, CCT and community mobilization experts to work with assigned districts.
- Fund field travel of teams to district to lead participatory planning and budgeting process.
- Assemble girls' education resource (i.e. print) materials for use in action plan development, and make available in necessary quantities materials needed to implement action plan.

Considerations: Action Plans are little use if not integrated in annual work plan and budget of the District on which they base operations. Provisions should be made for facilitating and supporting Action Plan implementation, in terms of resource materials, occasional technical support/advice and follow-up. MoES commitment to making personnel part of teams (beyond the usual girls' education suspects).

Possible Partners: FAWE has organized volunteer groups of education specialists to provide assistance to schools, organize Life Skill Clubs, etc.; and could be contracted to coordinate the effort (with MoES). Action Aid has worked with district and sub-counties to develop action plans.

Next Steps: determine how girls' education action plans would fit into overall district planning process; assess FAWE capacity to organize; determine MoES willingness to support by providing districts access to MoES expertise (e.g. CCTs, TDMS, etc.)

Option 3: Support Girls' School-based Interventions in Disadvantaged Districts

Objective: to improve the school learning environment for girls.

Purpose: to take to scale school/community- based "girl-friendly" interventions in selected districts and strengthen school-community partnership to benefit girls

Description: demand-driven school/community-based interventions; school can opt to participate to receive assistance in initiating an activity of their choice from a menu of a interventions, aimed at enhancing the school environment and community/parental support. Selected disadvantaged districts would apply to participate in program, allocate staff, and plan to assume recurrent cost of supporting program.

Rationale: The PGE incentive grants proved that many schools and communities were willing and able to implement girls' education activities. Some of these innovations were captured in the "Girls' Can Do It!" guide, which presents 18 low-cost strategies that can be implemented by the school and community. All the CCTs were trained in the use of the manual, and many in turn passed this on to school staff. A post training evaluation found that 60 percent of the schools indicated that they adopted some new strategies as a result. However, many schools were not reached and some needed additional assistance and encouragement in order to act, particularly in the more disadvantaged areas. Many of the interventions involve community participation, in which PTC-based community mobilizers have expertise and capacity. This activity would also be a logical complement to Option 2 (District Action Plan Development).

USAID support:

- Fund cost of development, training district facilitators (using CCTs, PTC community mobilization experts, and district personnel), school –community training, and funds for schools to start implementation of selected activity.
- Assist districts develop planning for sustaining support of school-community efforts.

Considerations: costs on ensuring that interventions implanted in schools in numerous districts may exceed resources. Districts would have to commit to supporting, as would CCTs and Community Mobilizers. Effort would have to be made that infrastructure improvements do not become a focus of the program.

Possible Partners: Districts, CCTs, MoES Community Mobilization unit, PTC community mobilizers, Peace Corps.

Next steps: review experience with "Girls Can Do It!". Determine reasons for it not reaching the school (CCT-school linkage) or not being acted on by the school-community, and identify type of assistance required. Assess structure in place at district level for carrying out program.

Option 4: Integrated Life Skills Program

Objective: to ensure that girls (and boys) receive training in life skills that provide them with the confidence and knowledge to make responsible decisions, manage their health and sexuality, deal with harassment and other social problems with the school that impede their health development and academic success.

Purpose: to coordinate and harmonize the many and disparate efforts to support life skills training into and integrated program, and provide directly to schools

Description: a Life Skill program use several means of supporting and delivering training to schools—revised BECCAD curriculum, teacher training, monthly newspapers for students and teachers, radio broadcasts aimed at students, teachers and parents, life skills clubs.

Rationale: Major impediments to girls' persistence in school are tied to the onset of puberty, including health, hygiene, and psycho-social issues. Girls' are unprepared to deal with the physical requirements, harassment and abuse, sexuality, and self-esteem. Most receive information and guidance from their teachers (rather than parents), who are ill equipped to deal with the problems, lacking materials, knowledge and understanding. The MoES is revising the official life skills curricula (BECCAD) to integrate it into academic subjects. Notable among the several groups that have supported life skills efforts are Straight Talk Foundation, FAWE and ACFODE. Straight Talk's program combines the monthly publication "Young Talk" distributed to 11,600 primary schools in multiple copies, teacher sensitization workshops in 20 districts per year, and a weekly radio broadcast on five station in English and one local language. FAWE has organized 60 Life Skills clubs in schools. ACFODE has developed a life skills peer-mentoring program. Other groups have also created life skill support programs.

USAID support:

- Form working group of partners to develop integrated program that (i) addresses important girls' issues and (ii) supports/complements MoES life skills curricula;
- Fund modification (if needed) of Straight Talk teacher training workshops to include additional or revised materials
- Fund Straight Talk and other partners to expand delivery of teacher training workshops beyond current program
- Assist in preparation, production and distribution of teachers and students guide and materials, incorporating material and innovations from different sources.
- Provide funding for expanding Life Skills Clubs and Peer Mentoring programs in schools.
- Provide funding for increased broadcast coverage of Straight Talk radio program.

Considerations: because this is attempting to consolidate many initiatives, effort must go into coordination. Grants could be given to NGOs under management of TA Project contract, but they would have to be willing to work together. MoES must be willing to accept that NGOs would implement a major education intervention.

Possible Partners: MoES, Straight Talk Foundation, FAWE, ACFODE and other NGOs, Peace Corps.

Next Steps: ascertain status of BECCAD curricula (it need not be complete to start other activities), discuss interest with ministry, evaluate approaches/strengths/ capacity of various partners, determine interest of partners and willingness to be involved in activity.

Option 5: Senior Teacher Counselors

Objective: to ensure that girls' (and boys) have advocates within the school that they can turn to for guidance and assistance with both the academic and "social" problems that impede their persistence and performance in school.

Purpose: establish a MoES senior teacher counselor system

Description: work with MoES to develop a school-based counselor system and training/support program, and pilot in a few districts

Rationale: Every primary school has designated senior women teachers who are supposed to oversee the wellbeing and support the interest of girl students. However, these teachers have never received special training and no provision is made for their activities in terms of "official" duties or remuneration. Many teachers lack the capacity and the inclination to support girls. The result is that senior teachers exist in name only, with little being done to support girl students. Using the senior women teachers as counselors is a recommendation that has been made by several experts over the past, most recently in the GAPS study. Many suggest that a system of senior men teachers also be developed to counsel boys to improve gender relations, as well as deal with their problems. Organizing this existing structure into a counseling system by developing materials and providing training would enhance the learning environment for girls and provide "delivery system" through which other services might be offered. For example, teacher-counselors could be the contact point in schools and provide leadership for organizing life skills activities presented in Options 3 and 4.

USAID support:

- Assist MoES define and codify duties, selection criteria and incentives for senior-teacher counselors
- Fund development of guide, activities manual and materials for senior teacher-counselors, with gender –specific modules (e.g. "how to survive in school" module aimed at girls, FAWE role model materials, how make low-cost sanitary napkins)
- Develop training program for senior teacher-counselors
- Implement in a few districts (funding for training, materials, emergency "sanitary packs", teacher support and monitoring)
- Work with MoES on sustainability plan (finance, incorporating into TDMS, etc.)

Considerations: MoES will have to find suitable and affordable means of compensation for teacher-counselors; not all senior teachers may be suited to undertake these activities.

Possible Partners: MoES, FAWE, and Peace Corps

Next steps: explore feasibility with MoES. determine with MoES departmental responsibility for program.

Option 6: Equity in the Classroom Caravan

Objective: to ensure that school management and classroom pedagogy is supportive of girls' participation

Purpose: to reinforce previous gender sensitization training of CCTs, make sure training modules are institutionalized and reach teachers directly.

Description: a core group(s) of teacher trainers will conduct teacher training seminars—using Equity in the Classroom, Girls Can Do It!, and other materials (e.g. GirlsPlace by Prouty and Sey; FEMSA math and science teacher training module)— in each district, working with CCTs and DEOs.

Rationale: While DEOs, Inspectors, PTCs, and CCTs have participated in training workshops that have addressed girls' education or how to get schools to undertake support activities, there is some concern that they are not sharing either the knowledge or materials with teachers so that more girl-friendly pedagogy and management techniques are actually being practiced in the classroom. It is also unclear to what extent girls education training modules have been incorporated into pre-service, in-service and CPD course offerings. There is little feedback on how girls' education materials that have been distributed nationally, such as Girls' Can Do It! are being used.

USAID support:

- Assist in determining degree of "institutionalization" of girls' education into TDMS and developing plan for eliminating blockages
- Develop training program combining the various Girls-friendly classroom practices techniques, modules and materials
- Fund non-MoES teacher trainers (e.g. FEMSA personnel) who may be included in core trainer group
- Fund EIC caravan travel and training expenses (with MoES sharing costs as appropriate)
- Fund follow-up monitoring and evaluation visits
- Establish an intra-district school exchange program(a la FAWE) so teachers and schools swap lessons and techniques.

Possible Partners: MoES, PTC, CCTs and DEOs, and FAWE and FEMSA

Next Steps: determine extent to which girls' education training and materials are reaching the classroom

Option 7: Alternative models of primary schooling

Objective: provide access to quality education for hard-to-reach girls

Purpose: develop and refine effective alternative schooling models

Description: develop and integrate girl-friendly practices and techniques into ABEK and Chance models to enhance the learning environment for girls; expand coverage; work together to develop guidance on best practices and techniques from both programs or develop generic model; undertake cost-effective analysis of models; work with MoES to integrate models into national system and/or incorporate specific aspects of models into conventional schooling model.

Rationale: Save the Children/ Norway and Save the Children/US have both developed alternative schooling models to provide primary education to pastoralist children in Karamoja (ABEK) and fishing community children in Nakasongola district (CHANCE). The program use condensed curricula, flexible schedule and calendar, locally recruited teachers, and community school management committees to address the high opportunity costs associated with these groups. Many other children, particularly girls in rural areas, also face high opportunity costs, and these models offer many lessons on how to make primary schooling more accessible so that children can persist longer. The Save/US model is based on the national curricula, so that children may matriculate the public system more easily. Although both models are child-centered and attempt to maintain gender parity in enrollments, neither has specifically addressed the issues girls face in schools. While the Chance program is just starting, ABEK reaches 10,000 children.

USAID support:

- Provide grant to develop girls friendly techniques and expand program coverage to similarly disadvantaged areas.
- Promote dialogue with the MoES about integration of models into public sector education system

Considerations: willingness of the MoES to adapt or finance alternative models; cost-effectiveness and affordability issues; ease of integration into public system; sustainability without MoES support.

Partners: Save the Children Federation—Norway and US

Next Steps: discussion with SC groups on willingness and feasibility

VI. USAID Comparative Advantages in Girls' Education

USAID/Uganda is well positioned to support girls' education because:

- USAID has a worldwide experience in supporting girls' education and several institutional resources exist to draw on in the Africa Bureau and G/WID offices.
- USAID/Uganda has a long experience of working with the MoES on girls' education as part of the basic education reform and a firm foundation on which to base its strategy, having supported most the MoES programs in girls' education (i.e. PGE incentive grants, Community Mobilization program , Equity in the Classroom, Girls' Can Do It!).
- USAID/Uganda has been the major funding agency to incorporate its girls' education effort into the MoES policy and investment framework, by chasnneling its support of girls' education through the TDMS.
- USAID/Uganda use of the project modality to support education, rather than budgetary support, will allow it to operationalize broad policy by introducing specific girl interventions and ensure that girls' education does not take a back seat or get overwhelmed by the more input-oriented ESIP priorities.
- USAID/Uganda has successfully used project funding and technical assistance to work effectively in supporting systemic changes in the MoES and has developed good understanding of MoES operations through its experience with the SUPER project.
- USAID/Uganda has a special knowledge of and relationship with TDMS, having taken a lead in supporting its creation; TDMS is the major channel of quality improvement and intervention in the school and classroom.

VII. General Next Steps

- Review options in conjunction with those proposed in other "critical thematic areas" for overlap and complementarity, and determine where options could be combined into one .
- Fit into overall education strategy and results framework.
- Meet with principals at MoES (and possibly key funding agencies, such as DFID, World Bank, Unicef) to discuss analysis of needs in girls' education and the option proposed to determine MoES priorities and willingness to work into partnership, commit resources, and make some organizational to support girls' education.
- Meet with NGO partners to determine interest and ability to work with USAID, MoES and others, willingness to modify or supplement programs to emphasize girls' education priorities; and capacity to implement large-scale programs.

[1]*Prepared by Karen Tietjen, Consultant to USAID/Uganda*

ESIP REVIEW

8

EXECUTIVE SUMMARY

ESIP Review

Overall, the Ministry has met the undertakings set forth for this review. The most critical issue addressed by the ESIP is the shortage of teachers. The undertakings (conditionalities) agreed upon at the October 2000 ESIP review reflect this high-priority concern. This report highlights issues of concern to USAID/Uganda. For a more complete account of the ESIP review, the Aide Memoire of the review is attached.

USAID/Uganda's Tranche 7 conditionalities

The Ministry has fully met two of the five conditionalities:

- Funding for education, primary education, and instructional materials
- Accountability of public expenditures (audits).

It has partially met three of the five conditionalities:

- Budgeting based on minimum-quality standards
- Parental and community support for improving education.
- Management of districts and schools.

New directions

USAID/Uganda has decided to refocus its present program and future strategy in the education sector on four areas:

- Quality
- Girls' education
- Computerization of ITEK and PTCs
- Combined health and education activities, including HIV/AIDS.

Based on the new focus, the ESIP process, and discussions with Ministry staff, this report suggests four objectives and related support activities:

- Reduce the wastage in teacher education
- Improve teachers' performance in the classroom
- Improve pupil's health and safety
- Decentralize education services.

The modalities for support will have to be selected once objectives have been determined. The report makes some general recommendations for deciding upon objectives and modalities of support.

- **Project support.** In designing project activities, USAID/Uganda should work closely with the Ministry, the Education Sector Consultative Committee (ESCC), and the Education Funding Agencies Group (EFAG) to set objectives. The Ministry is actively engaged in complying with the conditions set by the Education Sector Review (ESIP), which reflect its own priorities and those of most funding agencies. For two reasons, USIAD/Uganda should try to align its objectives with ESIP priorities. First, the Ministry will pay less attention to activities that it sees as outside of its main focus (witness our review of Tranche 7 conditionalities). Second, any funding agency activities outside those set by the Ministry in the ESIP are effectively diverting Ministry resources from the priorities it has set for itself.

- **Budgetary support.** USAID/Uganda could choose to participate in the ESIP funding process, using the same conditionality (or undertakings) that are agreed to by the Ministry and the Education Funding Agencies Group (EFAG). Like the European Union, USAID/ Uganda could even earmark its funding for specific parts of the ESIP program. Earmarking would help to align USAID/Uganda's budgetary support with project support. For Tranche 8 funding in particular, during which time period the Mission is reorienting its education sector objectives and program, budgetary support to the ESIP process would support the Ministry's current high-priority actions.

USAID/Uganda could also choose *not* to participate in the ESIP funding process. If it chooses instead to develop its own conditionalities, these should be presented in terms of results, not actions. Several of the Tranche 7 conditionalities dictated specific actions that the Ministry must undertake rather than policy objectives it must meet. In some instances, the Ministry was fulfilling the spirit of the conditionalities but following different—sometimes more reasonable—actions. Where budgetary support is used in the future as a tool for policy reform, it should not prescribe specific actions.

DEMOCRACY, GOVERNANCE & CONFLICT

9

EXECUTIVE SUMMARY

Introduction

This Democracy and Governance Assessment of Uganda is based on a mission to Uganda between October 20 and November 17, 2000. The team included Nicolas van de Walle, (Team leader, Michigan State University and MSI Consultant), Sandra Ayoo (MSI consultant), Susan Jay (USAID, D/G Center), Ajit Joshi (USAID Africa Bureau), Joel Kolker (USAID, Housing and Urban Development, South Africa), Aaron Mukwaya (Makerere University and MSI consultant) and Amy Osborn (MSI Consultant). Eric Richardson (USAID, REDSO/ESA) provided additional assistance on the conflict section.

Historical Background

Uganda's political history is characterized by an authoritarian colonial legacy, followed by instability and chaos in the post-colonial era. President Yoweri Museveni's accession to power in 1986 followed several decades of corrupt and incompetent civilian governments and despotic military rule. The achievements and limits of the present regime must be understood in historical terms.

The Present State of Governance in Uganda

The team concludes that Uganda has advanced beyond most of the first order or most basic issues of democratic governance. However, many issues remain to be addressed if the country is to move closer to democratic consolidation. The team further notes with some apprehension that much of the democratic progress achieved by the current regime has been in place for several years now, and that there appears to have been a loss of momentum in addressing the remaining issues of democratic consolidation.

The report analyzes the current status of four central dimensions of democratic governance in Uganda today.

Consensus

Democratic consolidation is usually viewed as impossible in the absence of a broad national consensus regarding the basic "rules of the game". In Uganda, there is today a basic but tenuous consensus on behalf of democratic governance. Existing conflicts in Uganda pose serious issues, but do not represent threats to the unity of the country. Groups have fought over control of the national government, but they have always recognized the sovereignty of the central state over the entire national territory. There is similarly no dispute within Ugandan politics about the citizenship of any segment of the population.

The Rule of Law and Good Governance

Compared to previous regimes, this regime has made enormous progress on institutionalizing the rule of law. As a result of the widespread debates about the constitution in the early period of the current regime, key constitutional choices are understood and supported by a relatively large proportion of the population. However, several factors undermine this dimension of democratic governance.

Conflict and Insecurity

First, Uganda is suffering through several ongoing armed rebellions in the north and western regions of the country (see section 6). To be sure, these rebellions are in all likelihood supported by an extremely small minority of the population, but they pose serious problems for security and the rule of law in certain parts of the country.

Corruption

Second, corruption remains a top governance problem. Widespread problems of corruption exist and often go unpunished, which have a corrosive effect on public attitudes towards the government and legal system.

Competition

There is greater political competition today than at any time in Uganda since the very first years of the independence era. The situation is far from perfect, but the government can be credited with having sustained a political environment with a relatively high level of contestation. Freedom of the press is generally respected.

The Ban on Political Parties

The one serious flaw in the government record has been the outlawing of political parties. The government's ban on organized political activity by political parties while nonetheless allowing relatively competitive elections is a distinctive feature of the current regime. Only the National Resistance Movement is exempted from these regulations, because it is officially not considered a party. It is difficult to conceive of electoral democracy without political parties, and the consolidation of democracy in Uganda will be seriously incomplete as long as there are restrictions on their activities.

Inclusion

The present regime is the most inclusive in the history of the country. The great achievement of Museveni was to build a fairly broad coalition with genuine support from all regions of the country – with the important exception of the north – when he came to power. One reason for this broad support has been the regime's ability to build relatively inclusive institutions of participation and representation. In particular, institutions of local governance, partly inspired by the old colonial sub district structures, were revived by the regime, first as resistance councils, and then in the LC1-5 structures of local government. These structures have serious deficiencies, but they have begun to institutionalize relatively high levels of popular participation.

The Participation of Women

The government has put into action strong affirmative action programs on behalf of women, who have been assured of significant representation at every level of government. The evidence suggests that government efforts to educate the public on the importance of women's participation in politics has borne fruit, in changing attitudes, even if there remain serious constraints on women's participation in national politics.

Disenfranchised Regions

Though the empirical evidence does not support such a view, there is a widespread perception through out the country that the current regime rules in a manner that is partial to certain regions of the country. In particular, northerners have consistently argued that the current government favors the southern half of the country. In any event, the persistence of conflict in parts of the north combined with increasing economic disparities between north and south pose a long term threat to the country's unity.

Contextual Factors

Regional Disparities

In general, a richer, more urbanized and more densely populated south is contrasted with a poorer, more rural and sparsely populated north. Regional disparities have almost certainly worsened in the last ten years because of the violent conflicts and chronic instability that have characterized much of the northern districts. The recent Uganda National Houshold Survey indicates that rural poverty has indeed increased in the north to 67 percent while falling elsewhere in the country[1] .

Recent Economic Performance

When President Museveni came to power in 1986, the economy was in tatters, from two decades of inept and corrupt government, poor economic policies and civil strife. Since then, the country has made much economic progress under the policies of economic reform promoted by the government with the support of the donors. During the decade of the 1990s, as a result of these efforts, the economy averaged an impressive annual growth rate of 6.7 percent, among the very highest growth rates in Sub Saharan Africa. The proportion of Ugandans living in absolute poverty has declined from 56 percent in 1992/93 to 35 percent in 1999/00. The average household income rose by 22 percent between 1997/98 and 2000. Expenditures of the bottom 10 percent rose less rapidly (8 percent) compared to the top 10 percent whose growth was 20 percent.[2]

Key Actors And Institutions

Parliament

Uganda's parliament is much stronger than its regional counterparts, in large part as the result of constitutional and legal provisions enabling a greater degree of independence and resources. Unlike most other legislatures in the region, the legislature has the power to amend the budget, shifting resources from one budget line to another or decreasing the proposed budget, although the parliament may not increase the budget total proposed by the executive. The Parliament has also worked to ensure an adequate budget for its operations, so as to finance necessary legislative services like research as well as important proceedings, such as committee meetings. As a result of this commitment of resources, there is now a staff of approximately 188 professional staff in the legislature,

Remaining Challenges

The parliament only recently passed a bill providing improved budget oversight powers. Government recalcitrance to parliamentary investigations is evidence of the regime's ambivalence about legislative prerogatives. Parliament has particularly struggled to assert its right to investigate matters related to the Ministry of Defense and the military.

The Justice Sector

The justice sector is composed of the court system, but also the Ministry of Justice and Constitutional Affairs, the Ministry of Internal Affairs, the Police Service, the Directorate of Public Prosecutions (DPP), the Prison Service, the Judicial Services Commission, the Uganda Law Reform Commission and the Ministry of Finance, Planning and Economic Development. Resource constraints impinge on the depth of the rule of law in Uganda. All of these organizations could benefit from more money for equipment, training and improved salaries.

The innovation of the local council court system

The formal court system is just one aspect of the justice sector. One of the most important initiatives related to justice has been the creation of local council (LC) courts. These courts represent a legally sanctioned, nation-wide alternative dispute resolution system, providing a uniform mechanism for seeking redress and justice to poor and rural Ugandans, the majority of whom who lack the resources to access the formal court system.

Judicial Reforms

Significant efforts have been made to strengthen the judiciary over the last 15 years. The constitution contains many provisions that protect judicial independence, most prominently, the establishment of the judicial service commission. The commission, composed of well-qualified members, has taken seriously its role of professionalizing the bench and depoliticizing appointments as well as promotions. As a result, the bench is generally perceived as quite competent, particularly at the level of the High Court and above. Political interference has not been entirely erased, but has certainly been significantly diminished.

Pending issues for the judiciary

Of course, serious problems remain within the judiciary. First, accusations of corruption within the judicial system abound, particularly at the magistrate level. Second, law reporting remains weak. The Law Development Centre is the statutory body with the responsibility for law reporting, but has not had the resources to systematically record, organize and publish all rulings. Third, the legal framework could be further strengthened. The recently re-codified Commission of Inquiry Act enables the creation of a judicial inquiry that reports to the cabinet. Its recommendations are non-binding, however, and the cabinet is not required to make the findings public nor to forward information regarding criminal wrong-doing to the Directorate of Public Prosecutions (DPP).

The Presidency

President Museveni dominates the Ugandan political system to a remarkable extent. His constitutional prerogatives combined with the personal respect he commands and the informal networks of influence and patronage he controls afford him the power to affect most significant political decisions that are made. This centralization of power has enormous implications for the building of national institutions and values. Presidential power is theoretically checked by a number of mechanisms, such as parliamentary approval of appointments and budgetary discretion. In fact, formal limits on executive power are less constraining because of the executive's significant informal powers.

The Military

The history of Uganda's armies has been one of intense politicization, tribalism, internal divisions, indiscipline and violation of human rights. The army has often acted as if it was above the constitution and any system of laws. The NRA therefore represents a clear break with the past. The human rights record of the military under the present regime is not perfect, with continuing, albeit declining number of complaints, but the degree of respect for human rights and discipline within the UPDF is surely unparalleled in Uganda post-colonial history.

The Media

The Print Media

Uganda enjoys a vibrant press and a constellation of radio stations which cover substantive political issues. The two primary daily newspapers, the independent Monitor and the government-owned New Vision, cover political issues vigorously and relatively professionally. They both scrutinize the actions of government – often quite critically.

Electronic Media

Uganda also has 19 radio and 5 TV stations. Radio is a much more important means of information dissemination in a country with high illiteracy rates. However, the professionalism and the quality of news journalism of electronic media in Uganda are generally weaker than that of print media.

Cell or Mobile Technology Takes Off Across the Country

There has been an explosion of mobile or cell phone usage in Uganda, particularly among urbanized populations in Kampala and in municipalities and towns. This connectivity is making an enormous difference in people's ability to exchange ideas, organize logistics, and resolve issues. Mobile phones are creating access between district, municipal and town levels of local government and central government ministries and Parliament.

The Movement and Political Parties

Is the NRM a Party?

There are clearly contradictory tendencies at work in the recent evolution of the Movement. On the one hand, the top leadership of the NRM do not appear to be all that interested in strengthening the structures of the NRM. On the other hand, over time, the leadership of the NRM has increasingly come to accept the need to act like an incumbent party in order to protect its positions of power.

DECENTRALIZATION AND LOCAL GOVERNANCE

Background

Decentralization policy in Uganda clearly represents the most significant reform process occurring in Uganda today. The scope is far more ambitious than decentralization efforts in neighboring African countries and elsewhere such as in Southern Europe. The administrative and political structures of decentralization in Uganda are complex and its implementation has engaged all arms of government and every level. The success of decentralization will have a critical and determinant impact on the progress of democratic consolidation in the country and thus deserves special scrutiny.

Although the current system has deep historical roots, going back to the colonial era, the Constitution of 1995 and the Local Governments Act of 1997 set forth the current institutional structure of local governance. There are currently 56 District councils and 903 sub-county level councils.

Decentralization has become the organizing point for donor programs and thus for the national budget process, since 60% of the national public expenditures budget is contributed by donors. Donors are playing a leading advisory and facilitative role in moving the process forward, and the sustained progress of current policies probably relies on continued donor support, even if there is fairly clear government commitment behind decentralization.

Implementation Issues at the District Level

The current pace of implementation of decentralization has made it difficult for the newly structured local governments to keep up with the requirements placed upon them. Responsibility for most public services provision and infrastructure tasks was decentralized to local governments under the Local Government Act of 1997 but the costs and human resources required for them to deliver these services to a minimum standard has been more than expected. Nor did the Act spell out management systems at local government levels. Systems for budgeting, planning, accounts keeping, payroll and personnel management, public awareness and citizen participation are nascent today and there is still some uncertainty about the appropriate division of responsibilities and prerogatives across and within levels of government.

Own Source Revenues

Own source revenue strengthens local demand for accountability. This important element of fiscal decentralization is getting inadequate attention thus far in Uganda. Instead, nearly 70 to 80% of local government expenditures are financed by central government transfers. Districts' expectations of own source revenue collection ability and the assumptions by central government of likely levels of locally-generated revenues have been far from reality.

Proliferation of New Mandates

The decentralization of governance has made it convenient for central government and Parliament to devolve or vote through new mandates that fall on the shoulders of local governments but often do not transfer the requisite resources to fulfill the mandate.

The Role of Donors

All the major donors have been active in decentralization activities. As a result, districts (and lower local governments) find themselves having to expend limited managerial resources administering multiple individual accounts, reporting systems and other regulations peculiar to individual sector ministries and donor bureaucracies.

Relations with Central Government

The Ministry of Local Government (MoLG) is charged by the Act "to coordinate and advocate for Local Governments" and "agencies of the Central Government dealing with Local Governments and the Local Governments themselves are to coordinate/consult the Ministry of Local Government." The Ministry has received few resources to carry out the mandate. In addition, three bodies have responsibilities for implementing the decentralization process, each with differing constitutions of authority and unclear reporting responsibilities in Central Government: the *Decentralization Secretariat (DS)* - Created by the Local Government Statute in 1993 (and funded by DANIDA) to define the decentralization policy and regulations for its implementation; the *Local Government Finance Commission (LGFC)* - Created by the Constitution (Clause 77) and the Local Government Statute of 1993; and the *LGDP Project Management Unit (PMU)* – The largest single donor funding going directly into the local governments (7% of GOU development budget at peak) is expected from the World Bank through the Local Government Development Program (US47.1 million of 80.9 million credits). The PMU, established in Ministry of Local Government to guide implementation of LGDP (and predecessor projects), operates independently of DS and LGFC and splits its recognition of authority for coordination of decentralization between MoLG and MoFPED. In addition to these three, the regular line ministries seek to intervene at the local level. Uncertainty about roles and responsibilities has hindered the decentralization process.

Escalation of Conditional Grants

There is concern that conditional grants in overall budget transfers to local governments, which specify the use of funds, undermine the autonomy of local authorities.

Lower Local Governments and Civil Society

Lower local governments include (1) rural sub county councils (2) municipal and municipal division councils and (3) town councils. Sub-county (LC3) governments are the local government level closest to the people and, in concert with lower administrative units — parishes and villages – represent the point at which organization of participation in governance and delivery of development activity take place. Yet, local authorities lack the resources to expand their role.

ADDRESSING CONFLICT IN UGANDA

Introduction

Conflict is nearly endemic to post-colonial Uganda, occurring with various degrees of severity in the northeast, the north, the northwest, and the southwest. To date, every change of political regime has been accompanied and accomplished by conflict. However, none of the current conflicts appear to have the ability to topple the current regime. They are armed insurgencies rather than popular uprisings.

Areas in conflict

Each of the different conflicts have several distinctive characteristics.

Acholiland

The Lord's Resistance Army (LRA), now in its thirteenth year, continues to victimize the residents of Gulu and Kitgum in the north, with an estimated 370,000 IDPs in Gulu (83.5% of the population) and 82,645 in Kitgum (17.5%). The political agenda of the LRA is murky at best. The overriding LRA agenda is seen as anti-Museveni and anti-Bantu rather than pro-democracy or pro-Acholi.

Karamoja

In the Karamoja region to the northeast, the Districts of Kotido and Moroto suffer from a general breakdown of law and order. Since the introduction of automatic weapons to the Karamojong (the predominant ethnic group within the area called Karamoja) in 1979, ongoing cattle rustling clashes with Karamojong neighbors in Kenya and Uganda have left thousands dead and more injured. There is antipathy to the Government of Uganda (GOU), regardless of the regime.

Rwenzoris

The Allied Democratic Forces (ADF) have continued attacks since 1997 in the southwestern districts of Bundibugyo, Kasese, and Kabarole, in and surrounding the Rwenzori Mountains. Bundibugyo has suffered the worst conflict, with approximately 114,000 IDPs (70% of the population). The origin, development and motivation of the ADF are opaque.

West Nile

In the West Nile region in the northwest, the districts of Arua, Adjumani and Moyo are the most affected. Insurgency action has been low grade in the area and there are prospects for a settlement in the future. The main issue is the number of refugees who have fled other conflicts across the borders in Sudan (mainly) and Congo. This region has been relatively quiescent since the elections of 1996. There has been a cease-fire in effect for the past two years, generally observed by both sides. The brutality and human rights abuses displayed in Acholiland and the Rwenzoris has been much less evident in the West Nile. This insurgency has posed no threat to the survival of the current government.

Basic Assumptions on a General Future Conflict Scenario

The basic assumption is that the current government remains in power for at least the coming five years.

The conflicts now underway will not pose a material threat to the survival of the government. The team concurs that the status quo is the scenario to be used for at least the next three years with the possible exception of a cessation of insurgency in the West Nile region. Neither the LRA nor the ADF currently enjoy the resources or capacity to significantly enlarge their conflicts. On the other hand, they employ classic guerilla tactics and "go to ground" when opposed by superior forces and resurface again some time later at some place unknown. Such low intensity, high terror campaigns can be sustainable for a significant period of time.

Discussion of Root Causes

Many causes are put forward to explain the rebellious conflicts in Uganda. Leading candidates include the economic marginalization of the conflict areas; inequality in resource distribution between the center and the periphery; deepening poverty in the conflict zones; and ethnicity and revenge.

A common allegation heard in Kampala is that financial resources made available by the GOU and the donors to the districts are heavily skewed in favor of the south. In fact, the empirical data indicates no such bias, suggesting that the economic disparities between north and south are symptoms of the conflict rather than the cause. This is not to deny that there have been unequal private sector investment flows between the north and the south. However, this is a result of market forces rather than government bias.

Key Players

The key players in the conflict arena can be identified as the Government of Uganda, international NGOs, local NGOs, the donor community, and faith-based organizations.

The Government of Uganda

The Uganda/Sudan Nairobi Accord was signed in December 1999 whereby each state agreed, among many matters, to cease assisting rebels opposed to the other state.

Regional Dimensions

It is impossible to look at conflict in Uganda in a vacuum. Domestic conflict within Uganda affects regional politics and conflicts and these same regional issues also affect conflict within Uganda's borders. The internal drives the external and the external drives the internal such that it is not possible to analyze conflict in Uganda as a simple relationship between the central government and the periphery. The major bilateral dimensions include (1) Uganda's relations with the DRC and (2) Uganda's relations with Sudan.
Areas For Potential Usaid Intervention
Strategic Filters

The analysis conducted in previous sections of this report suggest that there are both great opportunities for donors to effectuate positive change in the governance arena, and substantial risks that donor intervention has little impact.

The Implications of Political Centralization

The assessment finds the level of political centralization perhaps the key institutional characteristic of Ugandan politics. The implication is that efforts to strengthen constitutional checks and balances will be useful.

Resource Constraints

Resource constraints provide a second strategic filter. The resources available to USAID for the D/G sector are extremely limited. Given these resource constraints, the emphasis should be on highly leveraged interventions where the USAID input can catalyze a broader response.

Political Opportunities and Risks

Donors should not expect to make a difference in promoting democratic governance in the absence of political will on the part of the main actors receiving the aid. Even more than in other areas of aid programming, local demand and the presence of institutional incentives to achieve positive change in governance modes are central to any prospects for program success.

Areas for Potential Support

National Level Institutions

Given the dominance of the executive branch, future programming efforts in the governance area should emphasize, everything else being equal, actions which promote the external accountability of the executive branch of government and which strengthen the other branches of government. Looking at the Judiciary and the legislative branches of government, on balance, the clear priority for support should be Parliament.

Local Governance Structures

Another approach to dispersing power away from the executive branch is to promote the lower levels of government. The team believes that there is a strong case to be made for focusing governance aid efforts on local government structures rather than the central government. Such an orientation is moreover entirely compatible with the current regime's stated ambition to fulfill democratization through the overall framework of decentralization.

Conflict Areas

It may be time to take risks to attempt to meaningfully affect the conflict cycle in Uganda. The Mission has the opportunity to do so with its new ISP. As a strategic outlook, USAID/Kampala is urged to devote more of its resources to conflict issues and conflict zones. This outlook should be employed across the gamut of the Mission's portfolios.

Donor Coordination

Much can and should be done to promote donor coordination in the area of governance. Knowledge sharing among the donors could be immensely eased and spread by creating a donors website into which donors and GOU counterparts would load systematically all useful reference documents and data in electronic form for ease of access.

[1] *Uganda National Household Survey 1999/2000. Report on the Socio-Economic Survey*

[2] *ibid*

ANALYTIC AGENDA

SO	Title or Subject	Completion Date	REDSO AID/W or Other TA Required	[redacted]
SO7	Competitiveness Analysis	March 2001		[redacted]
	AIMS Microfinance Impact Study	October 2000		[redacted]
	SPEED SMME Finance and Training Needs Assessment (including analysis of policy constraints to business development)	December 2000		[redacted]
	Dairy Sector/Milk Competitiveness Evaluation	January 2001		[redacted]
	Prioritization of Critical Biophysical, Institutional, and Policy Problems Related to Environment at the National Level – Validate in Key Geographic Region(s)	February 2001	AFR/SD (M. McGahuey) & G/ENV (R. Martino)	[redacted]
	Landscape Analysis of USAID/Uganda Activities in the Southwest	April 2001	[redacted]	[redacted]
	Envir. Sustainability/ Tropical Forest/Biodiversity: Environmental Threats and Opportunities Assessment (FAA 117/118/119)	April [redacted]	[redacted] & G/ENV	[redacted]

	PMA Non-sectoral Conditional Grant Study	March 2001		BIOFOR IQC (ARD)
	Assessment of Strategic Agriculture & Environment Options	April 2001	AF/SD (J. Hill)	BIOFOR IQC (Chemonics)
	Inst. Capacity Build/Prot. Area Mgt & Sustainable Use (ICB/PAMSU) Project Mid-term review of Uganda Wldlf Auth &other MTTI institutions	April 2001		World Bank
	ICRAF-Agroforestry Res & Devel to Conserve & Enhance Biodiversity: Mid-term evaluation	May 2001		ICRAF
	Title II Case Study	October 2000		Michigan State Univ.
	Bellmon Revision	November 2000		W. Welz
	Food Security Analysis	March 2001	AFR/SD (C. Jackson)	IQC (FEWSnet, Chemonics)

SO8	Uganda Demographic and Health Survey (UDHS)	April 2001		Field Support MACRO
	EdData Education Survey	August 2001		Field Support MACRO
	DISH Health Facility Survey	July 2000		DISH – Johns Hopkins Univ. (JHU)
	DISH Household Survey	July 2000		DISH/JHU
	DISH Commodities Study	January 2001		DISH/JHU
	DISH public/private health care analysis	February 2001		DISH/JHU
	Family Planning Logistics Management Drug and Commodities Supply Study	May 2000		Field Support FPLM
	Social Sector Analysis – Identification and integration of Education and Health Synergies	November 2000	REDSO/PHN, MEDS, AID/W	IQC - MEDS
	Summary Analysis of Girls' Primary Schooling in Uganda and Programmatic Implications	October 2000		Karen Tietjen
	Evaluation of the Teacher Development and Management System	October 2000		GOU
		October 2000		GOU
	Training Needs Assessment for Decentralized Capacity Building	**October 2000**		GOU
	Contribution of the private sector in provision & development of the education sector	October 2000		GOU
	Quality of Care Study for ANC and FP Services	July 2000		MEASURE

SO9	D/G & C Sector Assessment – political change and conflict	January 2001	REDSO/Conflict Advisor RHUDO/Decentralization Advisor G/DG/Democracy Advisor	IQC - MSI
	IFES Public Opinion Poll	June 2000		IQC IFES
	IPC Decentralization District Assessments (Tororo, Apac, Nakasongola, Kabale,	February 2001		Project - IPC
	Fiscal Decentralization	January 2001		MOLG
	Case Studies – Northern Uganda (GHAI team)	January 2001		MSI
	ATI Mid-term Review	February 2000		
	AAH Mid-term Review	July 2000		
	Save the Children -- Denmark Mid-term Review	September 2000		DANIDA
	Emergency Food Needs Assessment for Uganda (WFP)	November 2000		WFP
	AVSI Mid-term Evaluation	December 2000		Italian Aid
	CARE/REIN Project Impact Assessments	February 2001		

Mission-level	Geographic Focus Analysis	May 2001	Liz Kiingi	
	Information Technology Status Assessment	April 2001		Carana Corp, IQC
	Gender Analysis	February 2001		Women and Gender Studies, MUK
	Economic Analyses	March 2001	Jerre Manarolla/ Daniel Ddamulira	UBOS, MFPED

USAID ACTIVITIES IN NORTHERN UGANDA

Initial Year	Activity Name	End Dates	Amount $	Type of Funding
	NORTHERN UGANDA FOOD SECURITY (NUFS)			
1997	COVOL – NU food security, DERO project in Lira, Kitgum and Kotido	1999	$312,000	DA
1997	Appropriate Technology (Uganda) – ATU – NU food security initiative, Gulu, Kitgum, Lira, Apac, Masindi farmers & stockists	2001	$645,000	DA
1998	Aktion Afrika Hilfe (AAH) – NU food security – access to markets, seed varieties, training in modern farming practices – Moyo district	2001	$690,000	DA
	HUMANITARIAN ASSISTANCE			
1997	World Vision – seeds/tools, latrines for IDP camps in Gulu and Kitgum	1998	$385,000	OFDA
1999	Action Against Hunger (ACF-USA) – water and sanitation, supplementary feeding in Gulu and Kitgum IDPs, and formation of seed bank Kitgum	2001	$1,685,000	OFDA
1999	International Rescue Committee (IRC) – water and sanitation for IDPs in Kitgum	2001	$1,157,000	OFDA
2000	MEDAIR – water, sanitation and health education in Kotido schools and selected communities affected by drought	2001	$322,000	OFDA
2000	Catholic Relief Service – household items, Kitgum/Lira IDPs	2000	$233,000	OFDA
2000	Uganda Red Cross – Response to Ebola disaster in Gulu	2001	$25,000	OFDA
	TITLE II FEEDER ROADS GRANTS			
1998	ACDI-VOCA – road rehabilitation in Gulu	2001	National*	Title II
1998	Maruzi County Development Association (MCDA) – improve secondary farm to market roads (national program) in Apac	1999		Title II
2000	World Vision – feeder road rehabilitation in Gulu	2001	National	Title II
1999	World Food Programme (WFP) – BHR/FFP Tittle II emergency program – targets IDPs and Sudanese refugees	Continuous	National	Title II
	TITLE II FOOD SECURITY GRANTS (PL480)			
1998	Technoserve – production and marketing for food security in Arua, Nebbi and Apac	2003	$10,695,000	Title II
2000	World Vision – food security in Gulu and Kitgum	2003	$3,760,000	Title II
1998	Uganda Oilseeds Processors' Association (UOSPA) – food security	2003	National	Title II
1998	Hunger Alert – food security	2003	National	Title II
1998	Catholic Relief Services (CRS) – food security	2003	National	Title II
1998	Lira/Apac Widows and Orphans Association (LAWODA) – food security	2003	National	Title II
1998	Uganda Cooperative Alliance (UCA) – food security	2003	National	Title II

	PSYCHO-SOCIAL SUPPORT			
1999	International Service Volunteer's Association (AVSI) – psycho-social support, Kitgum children (includes sub-grant to International Rescue Committee - IRC).	2001	$1,468,000	DCOF
1999	Save the Children Denmark – Rehabilitation & reintegration of Gulu children (includes sub-grants to GUSCO and CPA).	2001	$1,352,000	DCOF
	EMPLOYMENT GENERATION			
1999	CARE International – reintegration, employment & household income generation – Gulu and Kitgum	2001	$1,997,000	GHAI
	DISPUTE PREVENTION AND RESOLUTION			
1999	Save the Children Norway – Alternative Basic Education for Karamoja (ABEK) – Moroto and Kotido	2002	$548,000	GHAI/CPAF
1999	Save the Children Denmark – peace and reconciliation in Gulu and Kitgum (includes sub-grant to AVSI for Kitgum)	2001	$125,000	GHAI/CPAF
2001	Aktion Afrika Hilfe (AAH) – local capacity for conflict resolution and peace-building between refugees and nationals in Moyo district	2002	$250,000	GHAI/CPAF
2001	Action for Development of Local Communities (ADOL) – peaceful and participatory disarmament of the Karamojong – Kotido and Moroto	2002	$30,000	GHAI/CQUICK
	PRIVATE ENTERPRISE SUPPORT, TRAINING AND ORGANISATIONAL DEVELOPMENT (PRESTO)			
1998	FINCA – micro finance activities in Lira, Arua, Apac, Nebbi	2001	National	
1998	NUMA – business association strengthening activities in all northern districts	2001	National	
1998	Centenary Bank – rural financing – opened branches in Lira and Gulu	2001	National	
2002	SPEED/COMPETE activities to be determined (northern districts)	2004	National	
	POST-HARVEST HANDLING AND STORAGE (PHHS) ACTIVITY			
1996	National Agricultural Research Organization (NARO) – TA and proto-type fabricated equipment in Lira and Apac	2001	National	
	HEIFER PROJECT INTERNATIONAL (HPI)			
1998	Dairy/livestock development, capacity building, and training in Gulu	2001	National	
	LANDO'LAKES (LOL) DAIRY DEVELOPMENT			
1998	TA in dairy cooperative formation,development associations and promotional activities in Gulu, Lira, Apac, Kitgum	2001	National	
	INVESTING IN DEVELOPING EXPORT AGRICULTURE (IDEA) PROJECT			
1997	Expanding low value food exports to regional markets, and increasing production of export high value products in Apac and Nebbi (nation-wide). Northern partners include: LAWODA, Apac District Agriculture Office (DAO), and Uganda National Farmers' Association (UNFA)	2000	National	

	TEACHER DEVELOPMENT MANAGEMENT SYSTEMS (TDMS)			
1997	Comprehensive teacher training & community mobilization – Lira, Karamoja, Apac, Gulu	2002	National	
	SUSTAINABLE INSTRUCTIONAL MATERIALS (NPA)			
1997	Textbooks, 10 fold increase in teacher's salaries (transparency & accountability)	2002	National	
	COMMERCIAL MARKETING STRATEGY (CMS)			
1997	National Program for sales and promotion of contraceptives – Arua & Lira	2002	National	
	ASSOCIATION FOR VOLUNTARY SURGICAL CONTRACEPTION (AVSC)			
1997	A national program to establish surgical contraception – Arua and Lira	2002	National	
2000	**LACOR HOSPITAL** – quality healthcare to women and children in the northern conflict area	***2010***		
1995	**JHPIEGO –** national program to strengthen midwifery, nursing, and technical officers' school – Arua and Lira	2000	National	
2000	**POLICY II –** new project on national advocacy program for population and reproductive health – all ten districts	2004	National	
2000	**BASICS II** – new national program support Uganda EPI and implementation of community IMCI – Apac & Lira	2004	National	
2000	**MOST –** new national program to advocate for implementation of micro-nutrients activities	2003	National	
2000	**DEMOCRACY & GOVERNANCE** – Management Systems International (MSI) – capacity building activities for target Local Government (LC3, LC5) and CSOs – Gulu & Apac	2003	National	

* National refers to nation-wide activities including targeted districts in the north. Funds are not disaggregated by district.

- IDP = Internally Displaced People
- NU = Northern Uganda
- Title II amounts include monetization of wheat and oil

THE CONSULTATIVE PROCESS

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One year ago, USAID/Uganda initiated a broad and inclusive process of consultation, assessment, and analysis that has culminated in this Integrated Strategic Plan. During this process the Mission met frequently with all of its stakeholders, including representatives of the Government of Uganda, civil society, implementing partners, USG stakeholders, donors, and intermediate and ultimate customers. Equally importantly, the strategic planning process engaged the full participation of all Mission staff. As part of the planning process we conducted a rigorous assessment of every aspect of our ongoing program. At every step along the way, and from many different perspectives, we found an exceptionally strong consensus that Uganda has established a groundbreaking and highly effective approach to sustainable growth and poverty alleviation. In recognition of this, we have closely aligned our strategic plan with the Ugandan model.

As we began to develop our Concept Paper, we realized that many Mission staff had never before participated in the preparation of an Integrated Strategic Plan and were unclear as to what “planning” in this context entailed. Therefore, a crucial initial element of the consultative process was to inform and engage the participation of our own staff. The initial step in the development of our ISP was formally launched in June 2000 with the first of three all-Mission strategic planning retreats. These retreats introduced the fundamentals of strategic planning to Mission staff and engaged them in a detailed discussion of our progress to date, a vision for Uganda’s future, and the most efficient and effective approaches that USAID/Uganda could employ to achieve that vision.

Partner and stakeholder consultations were also a part of the strategy development process at the Mission level. Four working groups –implementing partners, Ugandan civil society, GOU counterparts, and multilateral and bilateral donors – were established and a series of working meetings with the participation of Mission management, SO teams, and support offices was instituted. One series of meetings was held at the Concept Paper stage. After the Concept Paper was approved, the Mission distributed it to the participants in the working groups and invited them to a further round of meetings where draft results frameworks were shared and key crosscutting issues were discussed. These consultative meetings provided a wealth of invaluable information and feedback on proposed program directions, needs, priorities within and across sectors, and possible new directions, and provided crucial input into the development of both the Concept Paper and the ISP. The high level of participation and debate in these meetings demonstrated strong stakeholder support both for the Mission and for its program.

At the SO team level, the Mission held extensive consultations on strategic planning with partners, stakeholders, and intermediate and ultimate customers. Each strategic objective team developed an agenda of issues and a schedule of meetings with implementing partners, including contractors, NGOs/PVOs, and the GOU. All SO team leaders, as well as other Mission staff, are members of sectoral donor groups that meet regularly to discuss and agree upon needs, priorities, and coordination within the sector. These groups include agriculture, private sector, environment, education, health, democracy and governance, gender, and poverty monitoring. An outstanding example of donor coordination comes from the education sector, where 14 donors and the GOU have established an Education Sector Investment Plan, agreed to the benchmarks and priorities, and set procedures in place to monitor progress.

The Mission also established a comprehensive set of strategies for reaching and consulting with our ultimate customers in the course of the strategic planning process. We have long recognized the importance of collecting community, household, and individual-level data to assess the needs and requirements of our customers. Methods have included national surveys such as the DHS, more specialized surveys in activity catchment areas, needs assessments, site visits, field monitoring, focus group discussions, and participatory research. As an integral part of the strategic planning process, a number of assessments and evaluations were conducted, which have ensured the inclusion and utilization of the expressed needs, views and priorities of intermediate and ultimate customers in the planning process.

COMPETE OVERVIEW 13

I COMPETE

Uganda has achieved remarkable success since 1992 in achieving economic stabilization and growth rates of 6.7% per annum, albeit from a depressed base. However, much of this growth has been driven by increased consumption, especially in urban areas, based on high level of donor support, repatriated earnings from Ugandans living abroad, and the short term benefits of economic liberalization. Given relatively low rates of investment and the limited size of the domestic market, economic growth rates are not sustainable and unlikely to support improved income levels for the majority of the population.

As with most emerging economies, exports must be the engine or driver of rapid and sustained economic growth. Export markets have sufficient size and buying power to absorb the output of agricultural, industrial or service "sectors" that can productively employ hundreds of thousands of Ugandans. The enhanced earning power of Ugandans selling into export markets can then generate demand for additional domestic providers of goods and services.

Uganda has previously been successful in export markets, especially with agricultural commodities. However, in recent decades, its competitive position in traditional commodity markets has eroded and only a few new opportunities have been taken advantage of in non-traditional export commodities (e.g. cut flowers, fresh fish). Gaining (or even defending) market share, in international markets is increasingly difficult as a result of ever more demanding customers (who have more and more choices) and stronger competitors from around the world. Successfully competing in international markets (competitiveness) is all about meeting market requirements (success factors) better than competitors. It is also about obtaining as much as possible of the value paid by final consumers for goods and services by focusing on appropriate niche markets and value added opportunities.

The mission of the Competitive Private Enterprise and Trade Expansion (COMPETE) project is to help Uganda implement an export-oriented growth strategy, within the context of the Government's Medium Term Competitive Strategy for the Private Sector and the Plan for Modernization of Agriculture (PMA). Specifically, COMPETE has begun to:

- Focus on selected "sectors" or opportunity areas with the best chances for large-scale success in world markets, retain the highest possible value in Uganda and provide improved incomes for a significant percentage of the Ugandan population.
- Bring together the principal private and public sector actors within each sector or opportunity area to analyze present strengths, weaknesses, opportunities and threats and design aggressive, export based growth strategies;
- Develop catalytic activities through which private sector and government participants can commence implementation of these sector growth strategies.
- Design and implement a public information & communications program to stimulate a national debate on Uganda's competitiveness, disseminate knowledge of world markets, trends and tastes to producers, traders and exporters within each sector, and attract foreign investors and buyers to Uganda.
- Provide a model that can be replicated in other sectors and opportunity areas.

COMPETE is based on the following essential principles of country competitiveness:

- **Private sector leadership.** Since private investment is the most critical requirement for export-led growth, it is incumbent upon the private risk takers (from the smallest farmers to the larger international companies) to take the lead in driving competitiveness strategies. Although implementation requires the cooperation and collaboration of many stakeholders, from the producer to the exporter, from business associations to government officials and donors, the crucial focus is on mobilizing private investment while improving quality and productivity required for private business to succeed. Under COMPETE, sector competitiveness strategies are developed through a collaborative process led by the private sector, but in which all stakeholders identify and reach consensus on the key priorities and actions that are needed to increase competitiveness. The stakeholder working groups then become coordinators and monitors of implementation of the strategies.

- **Government as partner.** The Ugandan government's liberalization policies have resulted in a strong private sector response to market opportunities, demonstrating the constructive role that government can play in removing constraints to business, while at the same time facilitating a positive business environment. The COMPETE approach is aimed at reinforcing the constructive role of government as a stakeholder and partner with business, especially in addressing specific policy and infrastructural constraints to investment and exports. In addition, at its highest levels, Government is uniquely positioned to promote the strategies both to the Ugandan population and international investors and buyers.

- **Objective measurement of competitiveness.** The stakeholder working groups utilize the competitiveness "diamond" approach to identify and structure their sector strategies. This approach focuses on four elements, including the structure and strategy of the specific sector, the factors of production, the nature of market demand, and the degree of collaboration among the cluster of firms, supporting industries, government agencies, business associations, and financial institutions. In each of these areas, strengths and weaknesses are identified and implementation actions prioritized. Progress is then monitored relative to specific competitiveness benchmarks.

- **Implementation of Catalytic Activities.** Within each of the priority sectors selected for initial action, working groups will coordinate strategic interventions that remove the most critical bottlenecks or constraints to competitively meet international market requirements, while also demonstrating the effectiveness of the approach and creating local capacity to implement it in other sectors. Follow-up of cross-cutting policy issues or bottlenecks that affect all sectors will be closely coordinated with the Special Task Force on Export Competitiveness, the Private Sector Foundation, Uganda Investment Authority and other relevant entities.

- **Leveraging Impact through Information and Communications Technology (ICTs).** COMPETE will apply the most appropriate available technologies to improve the competitiveness of firms in the selected priority sectors, while providing opportunities for expansion of the ICT sector through demand generation.

- **Country-wide public information strategy.** COMPETE will stimulate a national debate aimed at raising awareness of the implications of competitiveness for economic growth, encouraging participation in the process, and demonstrating how the approach can be applied effectively to other sectors of the economy. In addition, it will help improve the effectiveness of targeted promotion abroad in attracting investors and buyers (working with UIA and others), and enhancing the marketing and image of Ugandan products.

COMPETE was designed to respond flexibly to private sector initiative, and therefore is structured to be flexible, pragmatic, and hands-on. Consequently, COMPETE will focus on strategy, communications and facilitation of Ugandan stakeholder involvement, and will have a limited implementation role. This is consistent with the key emphasis placed on private sector leadership. COMPETE will collaborate with the other key components of USAID's overall private sector strategy, including SPEED, IDEA, and Trade Policy, which will take on implementation initiatives identified in the sector action plans, as will organizations such as Uganda Investment Authority, sector specific institutions and other donor projects. COMPETE, however, will have the capacity to directly support selected catalytic efforts aimed at demonstrating that a strategic competitiveness approach, as coordinated and implemented by the key stakeholders, can be effective in significantly increasing productivity, quality, value added earnings.

Immediately after project start-up in December 2000, COMPETE began coordinating closely with the Presidential Task Force on Export Competitiveness. The first collaborative activity was to carry out a rigorous prioritization process to select the four sectors or opportunity areas that would represent the principal focus of COMPETE activity. From a long list of 20 sectors, 14 were selected for further analysis. Based on rigorous criteria that considered macroeconomic impact, sector level competitiveness, and institutional and government support required to overcome infrastructural and policy barriers, the following sectors and opportunity areas were selected: coffee, cotton, fish and information/communications.[1] Together with non-traditional agricultural exports, these sectors are expected to generate about $450 million in additional export earnings by 2003[2], while directly benefiting almost nine million Ugandans.

In mid-January 2001, the COMPETE team began an intensive period of research and interviews with government and private sector leaders in the coffee, cotton and fisheries sectors. In late April and early May, strategy development workshops were held with stakeholders to review, amend and enhance recommended actions. The information, analysis and proposed actions contained in this document are a direct result of that work.

The COMPETE team is confident of the wisdom and consensus behind these recommended actions. At the same time, international markets and private sector strategies are dynamic. Therefore, as COMPETE works through, and with, industry stakeholders, the strategies and actions presented in this document must be considered dynamic and subject to change.

Furthermore, now that proposed coffee, cotton and fisheries sector action plans have been prepared, the COMPETE team is commencing work on defining an Information and Communications Technology (ICT) strategy for supporting competitiveness in all three sectors. For that purpose, COMPETE will facilitate the creation of an ICT sub-working group, comprising representatives from each of the sector working groups and representatives of local private sector ICT firms. COMPETE will prepare a position paper for the sub-working group and conduct a stakeholders' workshop that will result in an action plan for ICT that supports all three of the sector action plans.

II. STRENGTHENING THE EXPORT COMPETITIVENESS OF UGANDA'S COFFEE SECTOR

1. The Challenge

- Coffee has traditionally been Uganda's most important export sector, currently accounting for 60% of the country's foreign exchange receipts and contributing to the incomes of 20% of Uganda's population.
- In recent years, however, external and internal factors have dramatically reduced coffee's contribution to Uganda's economic growth and foreign exchange earnings.
- Uganda must therefore address the crisis in its coffee sector as a matter of urgency.

2. The Problem

- Externally, the dramatic drop in world coffee prices is responsible for the sharp decline in foreign exchange earnings and rural incomes in coffee-growing regions.

- Internally, the quality of Uganda's coffee exports has significantly deteriorated in the past 10 years. International customers (mainly European roasters) complain that Ugandan coffee is increasingly of low and unreliable quality compared to the past. The premium that Uganda has traditionally received for its robusta coffee is under threat.
- The internal trading system in Uganda is largely responsible for this poor quality. There is inadequate quality control and enforcement of the grading system, especially at the processor level, resulting in large discounts, and even outright rejections, by the final customers (roasters).
- Productivity is also declining at the farmer level due to aging trees, disease and poor agronomic practices.

3. The Opportunity

- Uganda's soil, climate, and altitude permit it to produce an intrinsically high quality robusta coffee.
- The country has the opportunity to restore the quality image of its robusta coffee through effective management of quality at all levels of the system: farmers, processors and exporters.
- Not only can Uganda retain and increase its premium on coffee sold to roasters, but it can also begin to capture additional value in niche markets for washed robustas, organic and other specialty coffee.
- Farmer income and export earnings can also be enhanced by increasing productivity at the farm level.

4. The Strategy

- Increasing the value of Ugandan coffee exports involves a four part strategy:

i. An urgent campaign to salvage the price premium, based on improved grading, enforcement of quality standards and stakeholder education;

ii. A campaign to improve farm level productivity, based on a farmer education campaign on "best practices";

iii. Penetration of new market channels and segments that capture greater value for Ugandan coffee while establishing an internationally recognized "quality brand"; and

iv. Strengthening the ability of private associations and government institutions to provide the necessary regulatory enforcement, research, marketing/ promotion and education

5. Actions

- Improving the competitiveness of Uganda's coffee in world markets begins with an understanding of the unique complexities and segmentation of the international market. Ugandan coffee must be carefully classified and upgraded to meet the standards of the most appropriate segments. Those standards must be widely understood and adhered to.
- Improved enforcement of coffee grading, especially at the processor level, is particularly crucial, although quality standards must be enforced at all levels.
- Better practices by participants at all levels of the coffee system (e.g. exporters, processors, collection agents and farmers) will be encouraged by a combination of "carrot and stick"—assistance to capitalize and improve earnings combined with stiff sanctions for failing to comply with regulations.
- Over time, it is essential that the international marketplace (and not just roasters) recognize Uganda coffee as being unique and differentiated from others, allowing it to be marketed directly to supermarkets, coffee house chains and other buyers.
- More focused research is required, both into improved varieties and agronomic practices, and market opportunities.

6. The Participants

- Highest levels of government, preferably the President, should mobilize support for a 'national quality initiative' to restore coffee's international competitive position.
- The Special Task Force on Export Competitiveness can help mobilize support for stronger policy/regulatory framework and enforcement and resources for implementation of the strategy.
- The Coffee Sector Working Group, comprising leading 'players' in the sector, has already prepared the present strategy, and will play the key role in implementation.
- The COMPETE project (funded by USAID), as well as SPEED and other donor projects; will provide technical assistance to the Working Group.
- The Uganda Coffee Development Authority (UCDA), working with the industry, must be empowered for stricter enforcement of quality standards.
- Private sector associations of exporters and farmers will play a crucial role in delivering marketing and technical information and support to their members.
- Research functions provided by National Agriculture Research Organization (NARO) must be carefully targeted on priority needs.

7. Short and Long -Term Action Plan

Launching of a National Export Initiative for Ugandan coffee

- Announcement by the President and Cabinet at a National Conference on Coffee.

Year 1 Action Plan — Quality Upgrading

- Revise and publicize Uganda's coffee export classification/grading system and standards (including standards for niche markets) as well as strengthened sanctions for violations.
- Strengthen the enforcement capability of the UCDA and industry associations.
- Launch an education campaign, aimed at all sector participants, to create awareness of the worsening crisis if the quality problem is not urgently addressed, together with practical measures on how to rapidly improve quality (such as improved drying techniques at the farm level).
- Develop communication channels for reaching all segments of the coffee sector.
- Initiate projects to demonstrate and communicate 'best practices' at the farmer level.
- Undertake market research and promotion to support marketing into specialty niche markets of the 500-1,000 tons of highest quality coffee, while developing a market strategy for a unique Uganda brand image.

Years 2-5 Action Plan — Restructuring the Coffee Sector

- Expand quality-enhancing systems such as wet milling, roasting and packaging to produce higher value 'washed robustas' for the international market.
- Broaden the market channels for Ugandan coffee, with emphasis on reaching buyers other than the principal roasters on which the country has traditionally depended.
- Develop practical mechanisms for the delivery of technical assistance, training and credit to coffee growers and processors.
- Improve physical infrastructure in coffee growing regions that impacts on production and maintenance of coffee quality.
- Increase the productivity of coffee farms through improved cultivation techniques and replanting of old trees.
- Strengthen research into higher yielding, market pleasing, lower cost and disease resistant varieties.
- Strengthen the institutions that support the coffee industry.

8. Expected Results

- More stable international market position as result of certified, reliable quality
- More reliable source of foreign exchange earnings
- Stable price premium for Ugandan producers and exporters
- Increased roaster satisfaction with purchase of Ugandan robustas
- Greater volume of 'washed robustas' and better quality 'natural robustas'
- More cohesive, mutually supportive coffee industry
- More farmer-owned and farmer-managed coffee processing businesses
- Improved incomes and quality of life in coffee producing areas
- Increase in production per hectare of coffee
- Identification of alternative markets for Ugandan branded coffees
- Diversification into value added products roasted and blended to meet market requirements

III. STRENGTHENING THE EXPORT COMPETITIVENESS OF UGANDA'S COTTON SECTOR

1. The Challenge

- Cotton has traditionally been one of Uganda's important export commodities, currently accounting for 3.6% of the country's foreign exchange receipts, and contributing to the incomes of 14% of the country's population.
- However, during the period from 1974/75 to 1993/94, external and internal factors have combined to dramatically reduce cotton's contribution to economic growth, foreign exchange earnings and rural incomes.
- With the good climate and soils that Uganda offers for growing cotton, it has the potential of being a much greater contributor to the economy.
- The challenge is to bring cotton back to its former position and Uganda needs to continue to address the crisis of the sector.

2. The Problem

- Due to internal political disruptions, cotton production entered a period of spiraling decline.
- The sector still faces serious problems, some of which include:
  - Low cotton productivity at the farm level.
  - Little research and training due to shortages of funds.
  - Lack of an adequate finance program.
  - Lack of an organized information system that provides stakeholders with the information they need to make correct marketing decisions.
  - Low utilization of gins leading to a number of marginal ginning business operations.
- Low world market prices for cotton that are likely to continue depressed.
- With many farmers and ginners just starting to get back on their feet, efforts must be kept in place to continue the reestablishment of the sector.

3. The Opportunity

- Uganda has the capacity to restore the cotton sector through effective support for farmers and increased management capabilities at ginneries and value-adding levels of the industry.
- Uganda has optimal agricultural and climatic conditions.
- To maintain its market position, it is essential to build on the positive goodwill effort in place between ginners and farmers that has been a focus of the Cotton Development Organization (CDO) and the Uganda Cotton Ginners and Exporters Association (UCGEA).

- In addition to the strong supportive role of CDO, ginners and farmers, other government agencies need to remain committed to the cotton sector and its resurgence.
- Support and expansion of the value adding sectors of the cotton business (textiles, vegetable oils, soap, and specialty medical type products, etc.) need to receive more focus.

4. The Strategy

- The long-term competitiveness of the cotton sector is based on knowing what the market wants. Fortunately the characteristics of cotton from Uganda with respect to staple length, micronaire and color meet customer needs, and must be maintained or improved.
- Effective communication of what constitutes market value to each link in the cotton production system, and how best to capture increased value, is a corner stone of the strategy.
- A second cornerstone of the strategy is to address the low level of farm productivity, which in turn will also improve the capacity utilization at the ginnery level.
- Uganda's competitiveness in the textile and other value adding sub-sectors of the industry must be fully realized to keep as much of the final market value generated by the industry in Uganda.
- The strategy will require that the CDO continue its important role in mobilizing and coordinating the support of stakeholders at all levels around a national cotton (raw or value added) export program, even though it will be executed by the private sector.
- Also, improvements will be required at the transport, storage and marketing levels.

5. Actions

- Ensure that proper research support is provided to the cotton production sector.
- Ensure that adequate financing is available for farmers, ginners and value adding firms.
- Improve gin utilization so as to effectively support farmers.
- Ensure the maintenance of a strong quality control program for cotton.
- Develop and continuously communicate new information (technical, market and other industry news) to farmers, ginners and value adding firms.
- Develop means for integrating the value-adding sector into the decision-making processes of the industry.
- Ensure strong coordinative support for the industry by government.

6. The Participants

- The highest levels of government—preferably the President—should mobilize support to strengthen the competitive position of the cotton sector.
- The Special Task Force on Export Competitiveness should incorporate the key public and private groups that can make change happen.
- CDO has held a responsible role for coordinating the interface between government and industry. This effort needs to be maintained.
- The Cotton Sector Working Group, comprising leading participants and components in the sector, has already begun to recommend appropriate actions and policy changes. The COMPETE project (funded by USAID) will provide technical assistance to the Working Group.
- Private sector organizations should take on an active role to communicate technical and market information to their members and constituents.
- Donors and non-governmental organizations should be invited to participate in key aspects of building cotton's export role.

7. Short and Long -Term Action Plan

· Initiation of the Export Competitiveness Strategy should be announced by the President and the Cabinet at a National Conference on Cotton or Export Competitiveness

Year 1 Action Plan - Enhance Productivity & Production

- Identify target farmers (and their plots) with whom to work.
- Identify district and site coordinators to implement and monitor the plots.
- Organize implementation of the demonstration plots in coordination with IDEA, NARO, ginneries and other relevant groups (already initiated).
- Train the site coordinators so that they can train farmers.
- Invite farmers to see the plots and explain what was done.
- Develop audio, video and printed materials on "best practices".
- Disseminate information materials through mass media, input suppliers and ginneries, site coordinators and others.
- Develop means for showing farmers the impact of results on sale prices.
- Develop an ongoing program for the remainder of the first year together with the Cotton Sector Working Group, including a way of monitoring results.

Years 2-5 Action Plan - Maintain, Build and Strengthen the Cotton Sector

- Build a coalition of private and public groups to lead the programs of change. At the pinnacle of this group will be the CDO.
- Continue to improve cotton farmer productivity and returns.
- Continue to work to ensure that proper research support is provided to the cotton production sector.
- Promote the expansion of large-scale cotton production estates that also support out-growers, in collaboration with UIA.
- Continually work to arrange adequate financing for farmers, ginners and value adding firms.
- Improve gin utilization.
- Ensure the maintenance of a strong quality control program for cotton.
- Develop and continuously communicate new information (technical, market and other industry news) to farmers, ginners and value adding firms.
- Develop means for integrating the value-adding sector into the decision-making processes of the industry.
- Promote the expansion of the value-adding sector and exports of value added products, with special emphasis on opportunities presented by the African Growth and Opportunity Act (AGOA) adopted last year by the United States of America.
- Ensure strong coordinative support for the industry within government.

8. Expected Results

- More stable international market for the premium cotton produced by Uganda
- Re-establish cotton as a reliable source of foreign exchange earnings
- Maintain and build the price premium that Ugandan cotton enjoys
- Build the commitment of farmers to the production of cotton as a cash crop
- Promote production of cotton to its prior peak
- mprove the information flows to the stakeholders in the cotton sector
- Promote the spinning, textile and other value adding sectors

- Continue to build a cohesive, mutually supportive cotton industry
- More farmer-owned and farmer participant management of cotton ginning
- Improved incomes and quality of life in cotton producing areas

IV. STRENGTHENING THE EXPORT COMPETITIVENESS OF UGANDA'S FISHERIES SECTOR

1. The Challenge

- Uganda's fish is the country's second most important export sector. Its lead export product, Nile Perch (*Lates Niloticus*), is highly valued and competitive in world markets.
- It is estimated that the maximum sustainable yield of Nile Perch from Lake Victoria will permit Uganda to double its current exports to around $100-$120 million.
- Strict environmental and stock management of this natural resource is indispensable if Uganda is to meet these targets and sustain them.
- However, to expand beyond these targets, Uganda must protect its existing stock and look for new sources of fish, such as fish farming and aquaculture.
- The sector also needs to explore the potential for product and market diversification from its current production.

2. The Problem

- Preservation and sound management of fish resources remain a major challenge for the sector.
- Poor harvesting practices by local fishermen damage and reduce fish stocks, and this must be addressed.
- Maintaining the quality of the processed product must be addressed on a continuous basis.
- Lack of proper infrastructure such as strategically located landing, transit and cooling facilities has led to a significant loss of fish for Ugandan processors.
- A large portion of harvested perch (67%) is not processed into exportable products.

3. The Opportunity

- Ugandan white fish, namely Nile Perch, is highly valued in developed country markets, a trend that is likely to continue.
- Fish farming offers enormous potential for fish stock expansion and diversification, with very positive impacts on exports.
- Modified and diversified fish processing can provide new products for export to existing and new markets.

4. The Strategy

- Uganda must address the need not only to preserve its current stocks, but also to expand future fish production through fish farming and aquaculture.
- The focus must be on taking advantage of the very favorable conditions for fish farming and expanding this production throughout the country.
- Significant resources for infrastructure and technical assistance need to be provided to create this new initiative to expand fish production.

5. Actions

- Vigorous action needs to be taken to preserve and maintain existing fish resources in Lake Victoria and other inland waterways.
- Fish stocks must be expanded, namely through fish farming, by bringing in the technology, investment and infrastructure needed to support this effort.
- New market opportunities for diversified fish products in non-traditional markets need to be investigated, enabling Uganda to significantly increase its exports from current resources.

- Infrastructure needs to be strengthened for both traditional and new fish products.
- Information and human resource development will be essential to building future competitiveness.
- Finance and credit facilities must be expanded to support the fishing sector.
- Modalities must be developed to work within the fishing communities to communicate information about best practices.

6. The Participants

- The Special Task Force on Export Competitiveness, to take the lead in recommending government policies and initiatives.
- The Fisheries Sector Working Group composed principally of private sector representatives, to drive the process of competitive reforms.
- The COMPETE team, funded by USAID, to advise the Working Group.
- Private sector organizations such as the Uganda Fish Processors and Exporters Association and the Private Sector Foundation, to coordinate activities in the sector.
- Public sector agencies, including the Uganda Investment Authority, to improve the operating environment for fisheries and attract foreign technology and capital.

7. Short and Long Term Action Plan

- Initiation of the Export Competitiveness Strategy should be announced by the President and the Cabinet at a National Conference on Fisheries or Export Competitiveness

Year 1 Action Plan – Maintenance

- Harmonize laws with Kenya and Tanzania regarding the preservation of Lake Victoria, its water quality and its stock.
- Support the on-going initiative to develop and utilize better fish handling methods.
- Initiate a feasibility study of fish farming, focusing on breeding, infrastructure, ecology, training and cost.
- Undertake market surveys for opportunities in new, high value and medium value fish products, apart from fish fillets.

Years 2-5 Action Plan - Expansion and Increased Quality Image

- In collaboration with the Uganda Investment Authority, initiate investment promotion activities to attract international capital.
- Work towards developing a specific Quality Seal for Uganda fish products
- Based on the development of new products, expand into new and existing markets.
- Move fish farming from the pilot stage to a commercial stage.
- Work towards the development of a total package of services for the fisheries sector focusing on investment, the regulatory environment, information, training and finance.

8. Expected Results

- Enhancement of Uganda’s market image and quality assurance with foreign buyers.
- New markets developed for diversified fish products.
- New by-products developed for non-traditional markets.
- Increase in foreign exchange earnings from exports of fish and fish products.
- New fish farming initiatives with pilot projects developed throughout the country.
- Improvement and development of new fish landing facilities on Lake Victoria.
- Introduction and utilization of better practices in fish capture and fish handling.
- New regulations and guidelines for optimum fish harvesting practices.

- Information campaign to transmit information to fishing communities.
- Development of ‘quality seals’ to be awarded fish processors that meet high processing standards for export.
- Socio-economic development of the fishing community through a package of services.
- A self-regulatory protocol signed by Uganda, Tanzania, and Kenya for the maintenance and preservation of the Lake Victoria water quality and fish stock.

[1] *Non-traditional horticulture, flowers and other agricultural exports are already being addressed by the IDEA project.*

[2] *The value of exports is of course highly dependent on international market prices.*

14 FINANCIAL SECTOR ANALYSIS

The USAID-funded Support for Private Enterprise Expansion and Development (SPEED) project is an aggressive intervention that will address the needs of micro, small-, and medium-sized enterprises in Uganda, focusing on access to finance and business skills development. The assessment phase of this design-and-implement activity was officially launched October 18, 2000, by the American Ambassador to Uganda, Martin Brennan, with the participation of 70 Ugandan and foreign stakeholders.

Following the launch, the 11-member assessment team, divided into four groups - small- and medium-sized enterprise (SME) financing (including agriculture), policy, microfinance, and business development services (BDS) - began the process of interviewing more than 200 stakeholders nationwide (enterprises, government, bankers, microfinance institutions, association leaders, business service providers, donors). The objective was to determine where gaps existed in the microenterprise, SME finance, and BDS sectors, and then develop options and recommendations for the implementation of the SPEED project. This was carried out using rapid assessment methodology and a comprehensive review of relevant documents and studies.

Several key documents, also being used by the Government of Uganda (GOU) and the donor community to coordinate funding and implementation of activities, played a central role in this assessment. These are the Medium-Term Competitiveness Strategy (MTCS), the Plan for the Modernization of Agriculture, the Poverty Eradication Action Plan, the Commercial Justice Reform Program and three pieces of pending legislation: the Micro Deposit-Taking Institutions Legislation, Arbitration and Conciliation Act 2000, and the Financial Institutions Statute 2000.

To encourage **the financing of SMEs**, SPEED will need to work effectively on both sides of the lending transaction. The project will need to encourage mid-sized financial institutions through specialized training, study tours, and specialized product development, while at the same time provide pre- and post-loan disbursement services (business planning, technical advice, marketing assistance, cash-flow monitoring) to SMEs through local BDS providers.

Because SME financing, especially when agriculturally related, requires medium- to long-term financial resources, SPEED will need to explore ways to increase the supply of medium and long-term funds for on-lending by the banks. SPEED can do this by expanding the leasing activity, issuing a bond to supply medium-term capital, or establishing a refinancing mechanism.

To address the issue of the perceived increased risk with SME lending, SPEED will need to explore the possibility of a loan guarantee mechanism, including opportunities with the PL-480 program and the Development Credit Authority, Micro and Small Enterprise Development, and Loan Portfolio Guarantee programs of USAID's Global Bureau. In addition, SPEED can assist the Uganda Institute of Bankers (UIB) with the development of the credit bureau, including the innovative idea of creating a privately owned company to deliver this critical service.

Policy constraints can often act as "ceilings" on results and impacts, and the SPEED team has identified several such constraints during this assessment. The key areas identified include a mechanism that both banks and SMEs can use to settle claims quickly and efficiently. The Center for Arbitration and Dispute Resolution (CADER) and Small Claims Court are two key policy areas that can unleash tremendous market potential and change attitudes toward SME lending. Another area constraining lending to agriculturally based enterprises and SMEs is land titling. By having ready access to reliable and timely information on the ownership of property, banks can feel more secure about lending to SMEs, and SMEs will not require 150 percent discounted collateral to obtain loans.

Finally, to sustain growth, processes are required to allow for constant public-private dialogue on administrative and policy reform. To make timely administrative and policy decisions, up-to-date information is needed on SME creation, job growth by sector, and investments. SPEED can facilitate these activities to ensure a sustainable public-private dialogue.

The centerpiece of the **microfinance industry** assessment was a survey of 26 institutions involved in microfinance lending and covered the range from commercial banks to community-based organizations, including several outside of the capital area. At present, the environment is being molded by a plethora of microfinance institutions (MFIs), strong donor support, a large untapped market, and a positively evolving enabling environment. These factors together set the stage for a strong and mature sector within the next five years.

Opportunities for SPEED will be created with the passage of the Microfinance Deposit Institution (MDI) legislation. MFIs will require assistance to move from one Tier to the next and access commercial bank financing. Working through local firms, SPEED can assist MFIs with the transition and prepare others for moving up the scale. Through a combination of technical assistance and a loan guarantee mechanism, SPEED can help MFIs access the commercial market for financing.

In addition to assisting MFIs to achieve MDI status, SPEED can play a proactive role in helping MFIs grow through geographic expansion and product diversification. Several MFIs are planning to expand into rural areas, where the possibility of introducing new products for agricultural lending are high; this will encourage an increase in the number of stakeholders and exploit under-utilized resources. In addition, a gap exists between the upper end of the MFI market and the lower end of the commercial bank market, and most MFIs are still delivering group-lending products. This gap and lack of product diversification present two opportunities for MFIs to expand and for SPEED to assist.

Training and technical assistance is another area where the SPEED project can have an effect. Working through local consulting firms (such as UIB/ Microfinance Competence Center (MCC) or Aclaim), training and technical assistance initiatives can be put into place to meet the demands of this ever-evolving industry. SPEED can stimulate demand for these services through a targeted voucher scheme, covering a portion of the costs of these services if needed.

Business development services providers are excited about the possibility of accessing the microenterprise and SME market. Over the past few years, several smaller interventions have prepared the ground for a major BDS initiative. Banks, associations, and MFIs are ready to promote the use of BDS among their clients and members. SPEED is ready to play a leading role to stimulate demand for BDS services and provide targeted supply-side interventions to build capacity in the local BDS providers. This “push and pull” strategy can be facilitated through a voucher scheme used to access training, consulting, and other types of BDS.

Associations remain an important private sector organization to promote change and respond to common needs of their members. SPEED will consider a matching grant program to challenge the more serious and capable associations to undertake activities that respond to their members’ needs. This program will require that the association respond to a rigorous set of application criteria.

To examine the depth and complexity of gender differences, the gender specialist interviewed more than 75 people and offered positive observations, which can be leveraged by SPEED. These include that women, who make up the majority of borrowers in the MFI sector, are more willing to participate and pay for BDS. As a result, any initiatives to improve the delivery of BDS should target women to maximize results, impacts, and sustainability of service delivery.

As one woman entrepreneur stated, “He may say that he has the last word, but once you have the money, you have the last action.”

Using a market-driven mechanism, SPEED will cooperate with all partners ready to embrace a similar philosophy. Potential partners include associations, nongovernmental organizations (NGOs), BDS providers, MFIs, and banks willing to cost-share activities and adapt products and services to the needs of their target market. This approach will allow the project to work with the more progressive and innovative Ugandan organizations.

ASSESSMENT OF MICRO, SMALL AND MEDIUM ENTERPRISE SECTOR IN UGANDA

A. INTRODUCTION

1. Project Objective and Overview

The objective of the USAID-funded Support for Private Enterprise Expansion and Development project is to design and then implement an aggressive intervention that addresses the needs of microenterprises and small- and medium-sized enterprises in Uganda. SPEED focuses on microenterprise and SME access to finance and business skills development. The project will contribute to USAID’s Strategic Objective One, to increase rural household incomes.

USAID selected Chemonics International to design the SPEED project over a ten-week period (see box below). During the assessment phase of the design, the team (see box below) assessed the microenterprise and SME sector using rapid appraisal methods. Our findings on sector status, constraints, and opportunities are presented in this report. To ensure that the design reflects Ugandan private and public sector realities and needs, a larger stakeholder’s meeting will be held to facilitate input, information exchange, and a common vision for the project. During this time, we will work with USAID to determine appropriate project results that correspond to SPEED’s activities once they are formulated. When the design is approved, Chemonics will implement the three-year project.

Timing of the Assessment and Design

October 15	Assessment team arrives in Uganda
Oct 15-Nov 17	Assessment period
November 17	Presentation of assessment
November 18-26	USAID reviews assessment documents and provides comments
December 4	Design team returns to Uganda
December 4-20	Design period
December 20	Draft design, workplan, M&E plan, budget presented
January 2001	Design finalized and approved
February 2001	Implementation begins

2. Structure of This Assessment Report

The assessment first provides a summary of USAID’s support of the microenterprise and SME sector and then an overview of the sector, including definitions, financial and gender impacts on the sector, financial and business development services available, the policy and institutional environment in which the sector operates, and USAID and other donor support. We then present status, constraints, and opportunities in SME financing, policy, microenterprise financing, and business development services. Special consideration is given to agricultural financing opportunities and commercial bank-MFI linkages. Next we evaluate potential counterpart organizations and, finally, present a synopsis of the options and recommendations for the SPEED project design. The detailed market survey of the microfinance industry is included in Annex B.

Chemonics' Assessment Team

Position	Name
Team leader/Micro and SME Development Specialist	Ken Smarzik
Microfinance Specialist/ Deputy Team Leader	Lief Doerring
Finance Specialist/COP Candidate	Phil Broughton
Agricultural Finance Specialist	Ralph Chaffee
Finance Policy Specialist	Michael Gold
Gender Specialist	Rae Blumberg
Finance Specialist	Evarist Mugisa
Micro and SME Business Skills Specialist	Beth Bamwine
GIS/M&E Specialist	Felix Lee
Institutional Specialist	Nancy Zlotsky
Design Administrator/ Budget Specialist	Chad Ford

B. USAID'S CURRENT SUPPORT OF THE MICROENTERPRISE AND SME SECTOR

Under USAID's Economic Growth Program, Strategic Objective (SO) 1, a variety of innovative interventions are being implemented that support the microenterprise and SME sector in Uganda. The most notable effort in this area, the Private Enterprise Support, Training, and Organizational Development (PRESTO) project (which ends in February 2001) supports microfinance initiatives across Uganda, building capacity and facilitating microentrepreneurs' access to credit. PRESTO has helped key business associations improve member services so they could better assist microenterprise and SME members. Under the Investment in Developing Export Agriculture (IDEA) project, nontraditional agricultural export SMEs have been successfully targeted while Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance (ACDI/VOCA) and USAID's PL 480 partners have made inroads to reach rural and agricultural microenterprises. Additionally, USAID's support to the dairy sector has assisted associations and other private sector entities involved in milk production, marketing, and distribution.

SPEED and the microenterprise and SME sector

The SPEED project is a new, dynamic effort under SO 1 that will address the needs of microenterprises and SMEs. Building on USAID's successes in the private sector, especially those under PRESTO and IDEA, SPEED was conceived to provide financial and non-financial assistance to help intermediaries, microenterprises, and SMEs improve access to finance and skills, especially in rural areas. The SPEED activity zeros in on the key constraints to business development in Uganda: the lack of access to finance and related business management skills needs.

C. BACKGROUND AND DESCRIPTION OF THE MICROENTERPRISE AND SME SECTOR

The development of microenteprises and SMEs is recognized worldwide as an important engine for economic growth. Uganda is no exception. Roughly 800,000 microenterprises and small businesses account for 90 percent of non-farm employment and an estimated 20 percent of Uganda's gross domestic product (GDP). Although liberalization measures in the country have ignited an economic revival, private sector growth is subject to numerous constraints, with microenteprises and SMEs hardest hit. These organizations are not served by the formal banking system and do not possess the skills needed to expand their businesses. Through its Medium-Term Competitiveness Strategy for the Private Sector, the GOU has made improving the business environment for micro and small enterprises a priority. The strategy emphasizes regulatory, financial, and legal reforms, as well as infrastructure development, required to remove constraints to growth among all-sized businesses. Specific financial reforms include the development of financial services suited to SME needs (leasing services, equity funds, capital markets). For MFIs, the aim is to develop a legal and regulatory framework, an interest rate policy, and a debt collection program. Specific to non-financial assistance needs of microenterprises and SMEs, the strategy stresses a sound structure for policy formulation and dialogue, skills development and training, and BDS.

In this subsection, we define the sector and services currently available to microenterprises and SMEs, explain the general policy and institutional environment in which these organizations operate, and provide an overview of donor assistance to the sector.

1. Definition of Microenterprises and SMEs

The SPEED team was initially hesitant to define microenterprises and SMEs despite the SPEED contract guidance. We were concerned that, by setting specific definitions, we might limit the project's ability to react to targets of opportunity. One of SPEED's greatest strengths should be the ability to respond quickly to good business opportunities that ensure USAID and SPEED achieve project objectives. To help us develop acceptable and reasonable definitions, we queried financial institutions, donors, GOU staff, and firms during the assessment on their definitions of firm sizes. Financial institutions are not concerned with defining firm size in terms of small, medium, and large; rather they focus on risk and profitability. Historically, this has led them to work with larger clients. Commercial banks analyze financial opportunities in terms of turnover, assets, and size of the deal. MFIs define portfolios by products (group and individual loans and their sizes), and the Ugandan government and most donors define firms by number of employees. Private enterprises do not care about definitions; they care about growing their businesses.

It is clear that classification of firms is relevant only to organizations that keep and analyze statistics. In Uganda, the GOU and some donors require this information, as well as contractors and grantees who must report activities to donors. Classification thus has programmatic implications.

For consistency and ease of monitoring, we believe that SPEED should mirror the firm size definitions of the GOU. Found in the MTCS, these are based on number of employees. Counting employees is unambiguous and verifiable as opposed to assessing firm turnover or assets. The definitions are:

- Microenterprise: mainly informal with one to five employees
- Small business: usually in the formal sector with five to 20 employees
- Medium-sized business: 21 to 100 employees

2. Gender Issues in the Microenterprise and SME Sector

Despite macroeconomic level success - including an annual rate of growth that has averaged 6.5 percent over the last ten years (Wright et al. 1999:I) - at least 50 percent of the population of Uganda remains below the poverty line, with women and children disproportionately represented among the poor. Women are burdened by a total fertility rate of 6.7 children per woman, one of the highest in the world. Although they raise approximately 80 percent of the food, they have little tradition of independent entrepreneurship. So it would seem that Ugandan women would be hard-pressed to do well in business. Yet data shows that female Ugandan entrepreneurs have managed to replicate the main "lesson learned" of microfinance programs around the world: they are better clients with higher repayment records. This has led to preferential targeting of women clients in almost all Ugandan MFIs attempting to follow best practices. About 80 percent of microenterprise credit clients in the country are women, with all MFIs reporting that at least 60 percent of their client base is female.

Experience with women's participation in microfinance makes it clear that SPEED and other donor interventions should reach out to women-owned SMEs as part of any SME development initiative. Given the dearth of information in Uganda on women-owned SMEs, we based our assessment on interviews with women business owners. We learned that women-owned SMEs are subject to the same constraints affecting all SMEs in Uganda but are particularly impeded by financing. Women have a harder time than men do in accessing bank loans due to prevailing customs. Land, homes, and cars are in husbands' names, precluding their use as collateral by women, despite in some cases business earnings paying for these assets. Additionally, there are gender differences in the acceptance of BDS as valuable services. Women entrepreneurs have been more interested in training and more willing to share a larger burden of the costs than male counterparts. Women SME owners have overcome many obstacles to reach their current scale; they are a dynamic lot and perhaps better equipped to grow their businesses than some male counterparts. If the history of the microfinance movement in Uganda is any guide, proactively incorporating women will help guarantee the success of SPEED's interventions to support SME financing and business skills development.

3. Financial Services for Microenterprises and SMEs

The financial sector and its linkages with microenterprises and SMEs in Uganda must be examined in the context of the entire country's economic development. Uganda went through a series of socio-political dislocations in the 1980s that severely affected the development of the sector. When the National Resistance Movement came to power in 1986, the system was in a deplorable condition following a decade of instability and gross mismanagement. Lack of public confidence in the system was compounded by prolonged periods of high inflation, which caused rapid erosion in the value of money, and by liquidity and insolvency problems in some banks. In subsequent years, government policy has sought to ensure availability of credit at affordable rates as a precondition for sustained development; this requires an efficient and sound financial system to help manage the economy.

Financial markets in Uganda are narrow in two senses. First, the participants are few; most of the financial instruments in the markets (Treasury Bills), are held by commercial banks and other financial intermediaries (insurance companies). Second, the range of financial instruments in the markets is small. The majority of financial transactions in the economy are conducted using a few financial instruments, such as cash and demand deposits. With few participants and instruments, the markets are far from being competitive.

Another feature of the sector is the uneven distribution of the financial institutions. Most currently concentrate operations in urban centers. The major banks are reluctant to go to the rural areas - where most microenterprises and SMEs are located - because of the high cost of maintaining the rural branches thus making them unprofitable, the poor infrastructure that tends to raise costs of administration and complicates their coordination, the absence of target groups (traders, industry, salary earners), and insecurity in some parts of the country. Consequently, except for pilot efforts by Centenary Rural Development Bank and the newly formed Commercial Microfinance Limited, appropriate products for rural areas have not been developed. At the same time, many Ugandans in rural areas are not familiar with banking, and it will take some time before bank products are appreciated and used. There are added problems of lack of adequate capacity in the middle management of banks; most banks are new to the market and trying to consolidate their business to meet the legal requirements and demands of survival in a competitive market. Therefore branch expansion for most of them is not a priority.

Formal financial institutions

The financial system in Uganda remains narrow. It consists of the Bank of Uganda (BOU), 17 commercial banks, 7 credit institutions, 19 insurance companies, three development finance institutions, one building society, and one pension fund (the National Social Security Fund, NSSF), a postal bank, and numerous foreign exchange bureaus. BOU is at the apex of the financial system. It is mandated to carry out regulatory and supervisory functions. But for some time, it has also performed other functions outside the traditional supervisory and regulatory mandate consistent with the evolution of economic and structural change in Uganda. For example, since 1977 it has provided investment support by administering lines of credit through select commercial banks. This was intended to catalyze mobilization of long-term capital in the financial sector.

The sector is dominated by commercial banks, with the government-owned Uganda Commercial Bank Limited (UCB) accounting for 23 percent of the assets and more than one-half (67) of the branches across the country. Other commercial banks include local operations of foreign banks (Stanbic Bank, Standard Chartered Bank, Barclays Bank, Bank of Baroda, Citibank). The East African Development Bank (EADB) (jointly owned by the governments of Uganda, Kenya, and Tanzania), the Development Finance Company of Uganda (DFCU), and Uganda Development Bank (currently undergoing restructuring) are concerned with long-term development finance. Uganda's commercial banking sector has a network of 122 branches, as opposed to 156 in 1996 and 290 in 1972. The bank concentration ratio has steadily risen from 34,000 persons per branch in 1972 to 115,000 in 1996 and 180,327 in 2000.

The asset structure of commercial banks as of September 30, 2000 included liquid assets (cash balances, securities) estimated at Shs. 1,081 billion (of which Shs. 49.4 billion were cash balances, and Shs. 396 billion were invested in securities - approximately 40 percent invested in cash and government securities). Loans and advances stood at Shs. 630 billion, fixed assets at Shs. 125 billion, and other assets estimated at Shs. 113 billion. Consumer loans stood at Shs. 15.3 billion, as opposed to commercial loans estimated at Shs. 626 billion (Bank of Uganda, 2000). Because of the dichotomy of the banking sector, there is no evidence as to the average loan size sector-wide. The large foreign banks target large clients, such as oil and other international companies, and the average loan size in this segment is about Shs. 300 million to 1 billion. The rest of the banks, mostly smaller and indigenous, have an average loan size of Shs. 20 to 150 million.

Post Bank, with an extensive network of branches, was started as a postal savings bank and is government owned. In 1997, the bank and the postal service were separated, and the Post Bank established in February 1998. Deposits have improved significantly and stood at Shs. 5.5 billion at the end of the last financial year. In the current financial year, they are estimated to reach Shs. 11 billion.

Of the 19 **insurance companies** operating in the country, most are small. The largest is the soon-to-be privatized, government-owned National Insurance Corporation (NIC). The law governing the industry is generally liberal and allows companies to invest in ways that provide sufficient liquidity to meet claims. Nonetheless, business has been affected by lack of public confidence and the AIDS epidemic. Most insurance companies have no loanable fund resources, especially for SMEs.

The National Social Security Fund is a **national pension fund** covering formal sector employees except civil servants and security forces. The number of registered subscribers to the fund is about 1 million, with 800,000 active members. The small number of subscribers affects the fund's resource mobilization and availability for investment, financial performance in terms of the ratio of administrative costs to income from assets, and contribution in supporting retirement obligations by serving a small fraction of those in need. The NSSF has invested in short-term treasury bills and real estate, holds a small amount of 20-year government bonds, and has substantial placements with commercial banks. NSSF has potential for rapid growth. At present, it is the largest holder of long-term funds in the country, with current collections expected to exceed future payments substantially. The fund is currently expanding its portfolio by investing in a prime office block in Kampala.

Uganda's financial system lacked an organized market for channeling savings into investments until 1996 when the Capital Markets Authority was established to license brokers and investment advisors and the Uganda Securities Exchange (USE) was launched in January 1998. To date, the USE has listed four securities. In addition, the exchange has initiated the recording of Treasury Bills, discounting information for retail investors. Although Treasury Bills are traditionally not capital market instruments, the intention is to complement the BOU in publicizing these instruments and involve licensed brokers. It is also expected that venture capital funds and other collective investment schemes will follow to meet the growing demand for non-bank finance. The constraints to rapid growth of the stock market are that many of the larger firms do not need to raise capital, a general lack of awareness about the benefits of listing and investing on the stock exchange exists, and there is a lack of public-company-based culture that requires financial reporting procedures and disclosure of information.

Microfinance institutions

These institutions are non-commercial bank financial providers and include NGOs and community-based organizations (CBOs) and cooperatives. Often guided by social objectives and funded by donors or the government, most of the MFIs/NGOs are registered as companies limited by guarantee although some are registered with the NGO Board. Some are government projects and others are registered with the Registrar of Cooperatives as cooperative societies or unions. Finally, there are a large number of unregistered CBOs such as Rotating Savings and Credit Associations (ROSCAs), Financial Service Associations (FSA), and other cooperatives. No MFIs are registered with the Bank of Uganda to provide intermediation of mobilized deposits. Those who mobilize deposits are operating outside existing legislation even if they do not on-lend the funds.

The District Resources Endowment Profile Survey (DREPS, 1999) estimated that 79 percent of borrowers in rural Uganda receive loans through money lenders, friends, relatives, and local revolving credit systems, indicating the continued existence of a large market for rural financial services. MFIs have begun to fill the gap in rural financial service markets, where it is estimated that only eight percent of rural households have bank accounts (as opposed to 41 percent in urban areas.) Since 1994, rapid growth in the development of microfinance programs that provide savings and credit services to urban and rural poor has occurred. Roughly 100 MFIs are registered in Uganda, of which about 12 are large and using best practices. These include Foundation for International Community Assistance (FINCA), FAULU, Promotion to Rural Initiatives and Development Enterprises (PRIDE) project, and Uganda Women’s Finance Trust, Ltd. (UWFT). Most of these larger MFIs operate in and around urban and market centers where high economies of scale exist, and they successfully target women clients. Despite considerable growth, most of the MFIs are relatively new and lack products that will ensure sustainability and meet the demands of rural populations. Even the top 12 MFIs are characterized by rigid group-based products and systems that do not adequately respond to the needs of clients other than traders. Nearly all major donors in Uganda support MFI sector growth through loans, grants, and capacity building. Additionally, the sector has established the Association of Microfinance Institutions in Uganda (AMFIU), an association of MFIs of which 69 are registered members. A survey of the microfinance industry is found in Annex B.

The GOU has recognized the important role of microfinance in microenterprise and SME growth, financial sector development, and poverty alleviation. The GOU recently prepared a policy statement on microfinance regulation, delineating four tiers of institutions, including Tier 3 Microfinance Deposit Institutions (MDIs) and Tier 4 institutions, which include credit-only NGOs and others that have mandatory savings programs (held in a commercial bank in a group’s name). The GOU is currently preparing legislation relating to the regulation and supervision of MDIs that will be sent to Parliament once the Financial Institutions Statute (FIS) 2000 has been passed. A number of the larger MFIs are analyzing the MDI eligibility criteria and beginning to prepare themselves for eventual licensing as Tier 3 MDIs. Tier 4 institutions will not be regulated by the new microfinance law or supervised by the BOU. The GOU, donors, and microfinance sector are considering establishment of a freestanding regulatory body to regulate Tier 4 institutions.

4. Financial Sector Impacts on Microenterprises and SMEs

Urban-based microenterprises have far greater access to financial and nonfinancial services, yet the vast majority of microenterprises in Uganda are based in rural areas. Ugandan society is predominantly rural, and the majority of people are small-scale farmers. Consequently, agriculture is the country’s lead sector in terms of people employed and the value of output produced. According to the Plan for Modernization of Agriculture (PMA) (MOFPED, Ministry of Agriculture, Animal Industry and Fisheries, 2000), the sector accounts for 80 percent of the employment and generates 43 percent of the GDP. It is also the base for a number of manufacturing and processing industries. Thus agriculture provides the foundation for government efforts to reduce poverty in Uganda. But while the potential for agriculture is recognized, its position has been undermined by infrastructure inadequacies, lack of market information, limited adoption of new and improved farming technologies, and lack of adequate finance to promote its growth. The agricultural sector currently receives a small share of credit from commercial banks. In 1997-1998, credit to agriculture grew by a mere 2.1 percent and declined by 17.1 percent in 1999 (BOU, 1997/98, 1999).

Rural financial markets are serviced by bank branches. However, in recent years the branch network has decreased significantly following the closure of rural branches of the UCB as part of its restructuring exercise and closure of the Coop Bank, which was Uganda's second largest bank. Since the closure of these branches, bank density in Uganda is about 180,327 per branch.

Against this background, it is clear that the majority of the rural population of more than 18 million has little or no access to financial services. In recent years, efforts have been made to extend financial services to the rural areas, especially by informal and semi-formal institutions. This category includes intermediaries that, in various capacities, link the rural population to the formal institutions. They include cooperative societies, NGOs, and MFIs. MFIs have taken the lead in this regard and made significant progress in reaching further into rural areas.

Commercial banks are better placed than MFIs to provide a wide range of financial services including credit, savings accounts, check collection, and payment transfer necessary for development. Nonetheless, they have not been able to extend these services to the rural population due to the high costs of intermediation, little knowledge of the socioeconomic environment, few appropriate products, and the subsistence and scattered nature of rural enterprises. The inability of banks to reach the rural population, both for disbursements and recoveries and the rigid terms and conditions for agricultural lending, has minimized the impact of formal financial institutions on the rural sector. Hence, in the long term, MFIs may be in a better position to extend basic financial services to the rural areas because they operate at very low margins and have low operational costs. The GOU recognizes the role these institutions can play and is preparing legislation to regulate their activities.

It is important to note that SMEs in urban and peri-urban areas have not faired well either despite a higher presence of banks in urban centers. Banks are reluctant to service these enterprises, especially in terms of extending credit. Because of past negative experiences, banks do not target SMEs. SMEs are often not able to meet the loan requirements; in some cases they do not keep proper books of account and therefore cannot produce up-to-date professional financial statements (profit and loss accounts). Consequently, banks have difficulty assessing their creditworthiness, and some banks believe they divert or misuse the funds lent, making them unreliable customers.

5. Business Development Services

Business development services can be defined broadly as a service that aims to improve the performance of the enterprise, its access to markets, and its ability to compete. The focus is on the individual business and not on the larger business community. The range of services can be large and should reflect the needs of the client. Services include business advisory and counseling services (group or individual), consulting services (individual), technical and business management training, market information services, new technology support, business brokering and partnering, subcontracting by large firms, and entrepreneurship education. BDS are often linked or bundled to take advantage of natural synergies that exist between these activities. For example, training and consulting can be combined to improve access to financing or export markets. When delivered in conjunction, impacts and sustainability can be very good. Best BDS practices include being market driven (delivering what the client needs on a commercial basis) and supply-side interventions that build local capacity. To bridge the gap between the cost of delivering an adapted service and the willingness to pay, subsidies or vouchers are used for the initial connection and introduction of the client to the value of BDS.

Donors

BDS activities in Uganda are diverse, employ traditional and modern delivery mechanisms, and are donor-led and funded. There has been little effort between donors to coordinate activities or adopt best practices, although all donors presently considering BDS activities (USAID, the Department for International Development (DfID, UK), European Union, United Nations Development Programme (UNDP)) are looking for more coordination and adoption of best practices. Past or existing BDS efforts in Uganda have included: business management training, technology training in agro-processing (Norwegian Agency for International Development (NORAD), United Nations Industrial Development Organisation (UNIDO)), training of trainers in interactive training methodology (DfID), basic business training for farmers (ACDI/VOCA), consulting/marketing plans, quality control, business plans, export promotion (Business Uganda Development Scheme (BUDS)/World Bank), entrepreneurship training (PRESTO/UMA), business related radio programs (FIT/UNIDO and European Union), and technical training (UNIDO). These activities have achieved good national coverage and have not been limited to the Kampala-Entebbe-Jinja triangle.

Private sector

Private and quasi-public institutions are also conducting training and undertaking consultant activities. These include Uganda Management and Technical Advisory Center (UMTAC), Uganda Management Institute (UMI), and Uganda Manufacturers Association Consultancy and Information Services Ltd. (UMACIS). Most activities, however, have not been bundled together - linking the value of training to improved business performance or to increased chances of access to financing - and have been heavily subsidized. User pay initiatives are beginning to take hold, and there are a few training providers that are able to carry out training at full cost recovery. For example, ACDI/VOCA's training activities are almost entirely subsidized, while technical training courses run by UNIDO's Uganda Integrated Program, have achieved full cost recovery.

Associations

In the delivery of certain BDS, intermediaries such as professional and business associations and chambers of commerce frequently play a critical role in facilitating the process between the provider and the client. This is a mutually beneficial relationship, where the organization is perceived as delivering a valuable service to its members and as a result is strengthened in the process, while the client receives valuable know-how. However, in Uganda, associations, chambers of commerce, or other business intermediaries have not been involved in facilitating the delivery of BDS to the extent that they could be. They have been slow to recognize the value and simplicity of helping members access these vital services. For example, while the Private Sector Foundation (PSF) has been involved in the direct delivery of consulting services and is now training small enterprises, it is an umbrella organization and its association members have manifested a desire to get more involved in providing services to their enterprise members. To a certain extent, Ugandan associations have been influenced by unconditional donor funding, including the support of operational expenses, rather than being encouraged to seek out membership-building activities. Except for a few, such as UMA, associations in Uganda lack the strategic focus and resources to play a central role in the delivery of BDS to their members.

Consultants

Most Ugandan consulting firms and consultants, even if they started their operations in targeting the private sector, have moved very wisely to the donor market. Therefore, firms such as UMACIS and Impact Associates receive 70 percent of revenues from donors versus 30 percent from the private sector. Common complaints are that the businesses do not value BDS; however, most consulting firms have not adapted their products to the enterprises' needs and ability to pay. Despite dependence on the donor market, consulting firms remain interested in tapping into the private sector market and are looking for assistance to do so. One firm in particular, Aclaim Africa, has adapted well to the environment and added MFI training courses to its product line, in addition to carrying out human resources and strategic planning with medium-sized agricultural operations.

Training providers

Training providers are interested in delivering services to the private sector and feel that the enterprises do not yet value training services. Training providers in Uganda are more evolved in the use of modern methodology - interactive, short-term training by trainers with both training and technical expertise - than the consulting and business advisory providers. UMTAC and UMI both offer courses “up-country” and use a combination of outside and internal trainers. Both have received training-of-trainers courses from the British Council (DfID). In addition, training is more widespread than other business development services. But there may be resistance to business management training because the training has not been linked to tangible results such as access to financing, increased markets, better products, and increased sales. Several success stories and strong demand for technical training exist - for example, UNIDO’s Master Craftsman program with USSIA - as this type of training is perceived to have a more immediate effect on the performance of their business, as does financing, rather than business management-related training.

Capacity building to providers

Capacity-building activities for BDS providers seem to have been focused more on trying to provide business to the firms, rather than equipping them with the know-how to adapt and market products to the SME market. Some attempts have been made to build capacity, probably more so for training providers than other BDS providers. All providers interviewed indicated a need for more capacity building (“know how”) to access the private sector market. In sum, the efforts to develop a sustainable market for business development services have been weak, uncoordinated, and driven by social, rather than economic, objectives.

6. Overview of the Policy Environment

The legal and policy framework in Uganda is changing rapidly as the GOU attempts to accelerate economic growth, reduce poverty, and move the country closer to international standards of not only business and commerce, but also civil life and international relations. The GOU has recognized the central and critical role that a viable and competitive private sector will have in obtaining a prosperous future for Uganda’s people by developing and adopting its Medium-Term Competitive Strategy for the Private Sector (2000 - 2005). The stated aim of the strategy is to increase private investment to achieve higher GDP growth. Below is an overview of the major policy and legal constraints to microenterprise and SME growth.

a. Infrastructure

Major improvements will need to be made in the infrastructure network if sustainable private growth, especially in the rural areas, is to occur. The MTCS calls for dramatic improvements in the power and water sectors, transport, telecommunications, and utility regulation, which are critical to bring economic growth to the people who need it most.

b. Financial Sector

In Uganda, many factors limit microenterprise and SME access to the finance that is needed to become viable and competitive. The MTCS attempts to mitigate a number of these limitations to free up the relatively high level of liquidity in the banking system for lending to Ugandan enterprises, especially microenterprises and SMEs.

Commercial banks and development finance institutions

For commercial banks and development finance institutions, the strategy calls for reforms in prudential requirements, improved payment systems, better bank supervision, and the resolution of non-performing assets. With the pending FIS 2000 legislation and extensive efforts by the BOU and various donors, these reforms are moving forward, and capacity is being built. The passage of the new bill, its enforcement, and extensive and continued training and capacity building will go a long way toward mitigating the problems in the sector.

Microfinance/deposit institutions

The MTCS calls for greatly strengthening the MFIs and providing for some MFIs to become deposit-taking institutions (MDIs) as long as they meet certain prudential requirements. Because this shift requires extensive changes and new provisions to the existing laws, the GOU has developed a new law focusing on MFIs and MDIs. The policy behind the new law has been adopted by the cabinet and is undergoing thorough review with a mind to get the law adopted as soon as possible.

Financial services for SMEs

A serious gap exists in the provision of finance and financial services to SMEs. The large companies have access to the commercial banks and development finance institutions, and the microenterprises increasingly have access to finance through the MFIs. The total number of commercial bank branches outside of Kampala, not including UCB, is very low. This limits access to finance by rural SMEs.

The MTCS lists equity funds and capital markets as potential sources of financing, while rightly stating that the legal and policy framework will have to be improved before these are realistic options for SMEs. Equity funds are limited, and capital markets are in their infancy. As the enabling environment for private sector investment improves and domestic savings increase, the availability of equity financing will increase. Equity financing is long-term without interim returns, and equity investors therefore look for stability and transparency in the political, business, and financial sectors before investing heavily. In addition to an enabling environment, a viable capital market requires companies with sound financial performance and a willingness to disclose their financial records fully. Typically, the first companies seeking financing through listing on the capital markets are large companies. Investment funds such as pension funds will need to be developed and properly regulated and managed. Although it will likely be some time before the capital market is a viable source of financing for SMEs, efforts are being made to lower entry requirements on the market and increase awareness of capital markets.

Credit Reference Bureau

One of the major limitations to lending is the lack of information on potential borrowers. Currently under the jurisdiction of the UIB, a Credit Reference Bureau has been created to solve this problem. A more detailed discussion of this bureau and its regulation is in Section D. Financial Services: SME Financing.

c. Commercial Justice Sector

Severe weaknesses in the commercial justice system and the difficulty in enforcing contracts have constrained private sector development. Enforcement of debts and other commercial claims in Ugandan courts has been virtually impossible due to inadequate training of lawyers and judges in commercial law, corruption, large backlogs, a lack of alternate dispute resolution (ADR) and small claims procedures, and inadequate information registries. In response to this problem, the GOU has undertaken the Uganda Commercial Justice Reform Program. Although the GOU appears committed to undertaking positive changes, many of these changes will take significant time to have full effect.

Commercial Court and the Center for Arbitration and Dispute Resolution

Established in 1996 as a division of the High Court, the Commercial Court's purpose is to efficiently adjudicate commercial disputes. Clearly the Court is young and nowhere near functioning properly, but adherence to the new reform program should result in material improvements over the next five years. However, Ugandan lawyers and judges do not receive formal training in commercial or business law and do not specialize in this area. In addition, foreign lawyers and international law firms are prohibited from practicing in Uganda. It will therefore take some time for a body of expertise in commercial law to develop. Also a long-term focus, the GOU is considering amending the Advocates Act to liberalize this area and build capacity for training in commercial law.

Corruption in the court system remains a serious problem. Complicating the issue is that the support staff (including clerks interfacing with the public) is managed by the Public Service Commission, not by the Judicial Service. Therefore, the clerks have little direct oversight and accountability. The proposed creation of a unified Judicial Service to include both judges and support staff under a single management system, as well as well-defined and enforced policies and procedures against corruption, would be a step in the right direction.

An important development is the recent increased interest in and support for ADR procedures to speed up and reduce the cost of handling commercial disputes and the creation of CADER. The challenges for CADER include gaining acceptance of ADR as a legitimate alternative, enforcing its awards and judgments, obtaining the necessary seed funding, and developing its sustainability. This is discussed in Section E. Facilitating Policy Reforms.

Magistrates' and other courts

There are more than 300 Magistrates' Courts handling disputes up to 5 million Uganda shillings (Ush). These courts face a huge backlog of cases as well as other numerous problems. The Commercial Justice Reform Program intends to improve the functioning of the Magistrates' Courts and develop small claims rules to speed up many of the cases. The program will also increase the jurisdiction of the LC Courts from 5,000 to 200,000 Ush.

Enforcement of commercial judgments

Awards and judgments must actually be executed for there to be any benefit of having gone through the time and expense of the adjudication process. The combination of getting a judgment in the first place and then getting enforcement is a nearly impossible process in Uganda. Through the Commercial Justice Reform Program, the GOU intends to address this by the review and revision of enforcement provisions of Rules of Civil Procedures, introduction of new Insolvency Act and Insolvency Rules, and reform of the regulation of Court Bailiffs (self-financing system).

Companies' Registry and Land Registry

Dramatic improvements in the Companies' Registry and Land Registry are required. This is discussed in Section E. Facilitating Policy Reforms.

Commercial laws

Many of the commercial laws of Uganda are being amended under the Law Reform Commission. While the improvement of laws is necessary, it is not sufficient -enforcement of the laws is critical. Moreover, the GOU needs to develop a mechanism to assess the effect of new and revised laws and regulations on the private sector. This will likely be undertaken through the Private Sector Developments Projects Committee, with representatives from the GOU and the private sector. Key laws to be reformed include the companies law, insolvency law, and personal property securities law/ mortgages.

d. Institutional Reforms, Investment, and Trade

Important planned **institutional reforms** include a framework to curb corruption and a program to improve the public procurement system. Particularly important to microenterprises and SMEs is the program to simplify administrative procedures, the Deregulation Program. The time and cost wasted in these cumbersome administrative procedures to start and run a business is prohibitive and has a disproportionately negative effect on small and medium enterprises. The GOU has attempted to carry out **investment** promotion through the Uganda Investment Authority (UIA). Both the mandate of the UIA and the investment law itself are planned to be reformed to provide better linkages with the private sector and a more balanced promotion of domestic and foreign investment and the advocacy of an improved business climate. The GOU needs to do more to promote Ugandan **exports** and remove anti-export biases. Examples planned to reduce anti-export biases include improving the awareness and procedures for value-added tax (VAT) refunds and duty drawbacks on exports and reducing the taxation on the import of raw materials and semi-components destined to be incorporated into exports. To create a bigger market and greater efficiencies, the GOU is committed to expanding regional integration, including the railway network, trade policy and facilitation, and capital markets. The GOU is actively participating in the Regional Trade Facilitation Project and the Cross-Border Initiative.

e. Micro, Small, and Medium Enterprises

In addition to other reforms mentioned in the MTCS, it was recognized that, for the GOU to achieve its goal of poverty reduction and economic growth, special attention must be paid to the SME sector. Key areas include policy formulation with extensive private sector input and involvement at national, regional, and local levels; skills development and training (training of entrepreneurs, vocational education,); and BDS.